

Public Utilities

FORTNIGHTLY



Volume XLI No. 3

January 29, 1948

PUBLIC UTILITIES AND CITY PLANNING

By Leslie Williams

< >

Should Public Utilities Advertise?

By Harold S. Metcalfe

< >

Utility

Customers Are People— Talk to Them!

By C. L. Sullivan

< >

The Plight of Labor under Totalitarianism

By William B. Smith

This "pool" really pays off!



EASTWOOD

• There's no gamble about this pool, for it's the combining of effort. When we, together, sell merchants on the idea of modernizing their stores, it's a three-way pay-off. You promote the use of proper lighting in your community; retailers do more business; we get more remodeling work.

Right now the field is ready for intensive cultivation. Merchants know what modernization can do for them; they're eager to revitalize their businesses. Moreover, our advertising in twenty-three leading retail publications stresses the importance of the "appearance factor" in retail selling; shows how "eye-appeal"—inside and out—invariably results in attracting more customers . . . increases sales . . . boost profits. And thousands of merchants who have modernized their stores with Pittsburgh Glass and Pittco Store Front Metal, and have followed the lighting recommendations of their local utility, have gained immeasurable good.

So, let's get together. In any discussion of store modernization with your customers, our specialists are at your disposal. We invite you to utilize their knowledge and experience in the interest of better business in your community.



Architect: Wesley Heng

"PITTSBURGH" STORE FRONTS AND INTERIORS



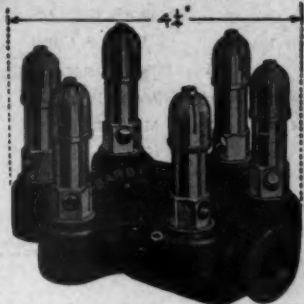
PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS

PITTSBURGH PLATE GLASS COMPANY

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)



No.
B-80 Burner



No. C-60 Burner



No. U-24 Burner

BARBER Designs — As Well as Builds — All Types of Appliance Burners

Barber not only makes countless types of burner units for hundreds of gas appliance manufacturers, but also continually functions, for its customers, as a source of basic engineering assistance, and a testing laboratory for the design and development of these various burners. Starting from scratch, Barber can design and then produce the correct unit—in shape, size, jets, fuel capacity, and any special characteristics—to suit any individual appliance, no matter what its use or the type of fuel to be consumed.

Many leading appliance makers will have nothing else but Barber Burners, because they have learned from years of experience that Barber is best equipped to provide the utmost in operational efficiency and in freedom from headaches, needless expense, and consumer complaints. To get this kind of co-operation on your burner problems, you have only to call on us. The superior quality of Barber Burners is always a favorable reflection on the merit of products which you make, sponsor or sell.

Barber, the pioneer specialist in the industry, freely offers its expert consulting and development services for your use, without obligation. Ask for Catalog.

THE BARBER GAS BURNER CO., 3704 Superior Avenue, Cleveland 14, Ohio

BARBER BURNERS

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

Executive Editor • HENRY C. SPURR
Editor • ELLSWORTH NICHOLS
Managing Editor • FRANCIS X. WELCH
Associate Editors • NEIL H. DUFFY
DONALD E. ROBINSON
RALPH S. CHILD
FRANKLIN J. TOBEY, JR.
Financial Editor • OWEN ELY
Assistant Editor • M. C. MCCARTHY

Public Utilities

FORTNIGHTLY

VOLUME XLI

JANUARY 29, 1948

NUMBER 3



ARTICLES

Public Utilities and City Planning.....	Leslie Williams	135
Should Public Utilities Advertise?.....	Harold S. Metcalfe	144
Utility Customers Are People—Talk to Them!	C. L. Sullivan	151
The Plight of Labor under Totalitarianism	William B. Smith	158

FEATURE SECTIONS

Washington and the Utilities	164
Exchange Calls and Gossip	167
Financial News and Comment	Owen Ely 170
What Others Think	178
The March of Events	185
Progress of Regulation	191
Public Utilities Reports (Selected Preprints of Cases)....	198

PUBLIC UTILITIES FORTNIGHTLY... stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

• Pages with the Editors.....	6	• Remarkable Remarks ..	12
• Utilities Almanack	133	• Frontispiece	134
• Industrial Progress	21	• Index to Advertisers	36

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

Publication Office CANDLEL BLDG., BALTIMORE 2, MD.
Executive, Editorial and Advertising Offices ..MUNSEY BLDG., WASHINGTON 4, D. C.

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., Dec. 31, 1936. Copyrighted, 1948, by Public Utilities Reports, Inc. Printed in U. S. A.

Address all communications concerning the FORTNIGHTLY to the publishers at Munsey Building, Washington 4, D. C.

\$1.00 a Copy
26 Issues a Year
Annual Subscription Price \$15.00

JAN. 29, 1948

NORWALK Products are Stocked at 12 Factory Branches

- San Francisco
- Los Angeles
- Minneapolis
- Chicago
- Detroit
- Cleveland



- Pittsburgh
- Washington
- Philadelphia
- New York
- Albany
- Boston

Service Shops in Other Cities

★ Factory at South Norwalk

WHEN you need some quality control equipment in a hurry, call on your nearest Norwalk Valve branch. There's a good chance that what you want is in stock. These convenient stocks of Norwalk products at 12 branches keep your installation crews working without interruption.

Quality, workmanship and sound engineering are other good reasons why Norwalk leads in gas control equipment. You'll find qualified gas men at all 12 branches.

If your problem has to do with the proper control and regulation of gas, let Norwalk give you the benefit of its years of service to the Gas industry. We've been at it since 1878.

NORWALK VALVE COMPANY

South Norwalk, Conn.

SOLE MANUFACTURERS

NORWALK

CONNELLY

VALVES • REGULATORS • GOVERNORS

GAUGES • N-50 INSPIRATOR

GOVERNORS • VALVES • REGULATORS

GAUGES • MERCURY LOADERS

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

Pages with the Editors

INFLATION, according to the dictionary, results from a disproportion between the amount of money in circulation and the amount of goods produced for the market. When the public purchasing power exceeds the amount of goods or services available for purchase, we have inflation.

WHILE that may sound elementary and perhaps oversimplified, it makes us wonder about tax proposals coming out of Washington these days for Federal tax reductions. Without commenting upon the somewhat obvious political significance during an election campaign year, the proposal of President Truman, for example, in his annual message to the Congress on the state of the Union, falls into this category of wonderful suggestions.

PRESIDENT Truman would, roughly speaking, give all taxpayers and their dependents as individuals a \$40 credit and make up the difference with increased taxes on business corporations. How does this square with our definition of inflation? Assuming, as President Truman

contends, that inflation is a bad thing and ought to be discouraged, giving individual taxpayers \$40 credit each would amount to placing some \$3,200,000,000 of additional purchasing power into mass circulation. From the standpoint of Federal revenues, this is to be offset by imposing a tax on the goods-producing section of our economy; namely, business corporations. Thus we increase the purchasing power while making it more difficult to produce goods. And that is supposed to discourage inflation.

ORDINARILY we would not feel constrained, in this specialized publication, to comment on such matters of general interest if it were not for the fact that the tax reduction program proposed by President Truman and by others might well foreclose a much more important and much more urgently needed form of Federal tax reduction, as we see it. This is the need for removing or curtailing the high wartime special excise taxes which were imposed on various public utility services. In this period when telephone, transit, gas, and eventually electric utilities find it necessary to seek rate relief, it seems most inequitable that the Federal government should continue to impose what amounts to a tax deterrent on a single category of business—essential public utility service.

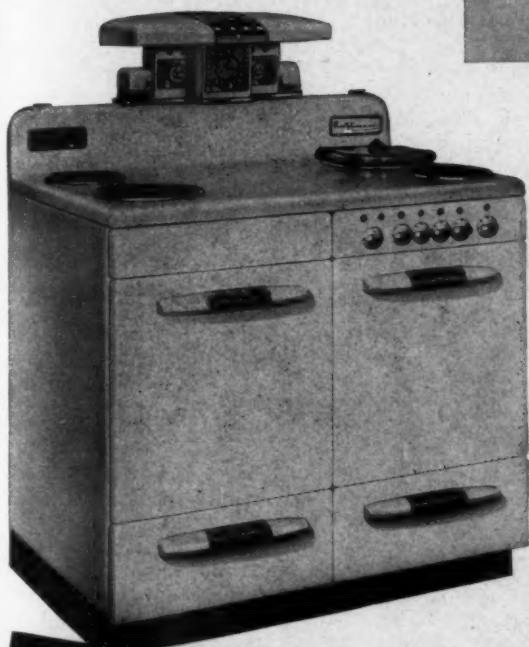
THE tax on exchange telephone service is 10 per cent of the monthly bill, and 15 per cent on long-distance phone calls. The tax on rail, bus, and airplane fares is 15 per cent of the passenger ticket fare. The tax on telegraph and cable messages is 15 per cent. The tax on the sale of electric energy (which goes way back to 1933) is 3 per cent. It might be objected that the removal or reduction of such special excise taxes would put more purchasing power in the hands of the utility customers by cutting their utility bills by a corresponding amount. But such



HAROLD S. METCALFE

the luxurious new

Presteline Custom 8



Presto Deepwell-Pressure Cooker. Automatic Deepwell • Wel-Com-Up fourth surface cooking unit fully automatic. Two big ovens—one super-sized, one auxiliary, both automatic • Two appliance outlets—one automatic • Warmer drawer that maintains 130-degree heat. Spacious storage drawer • Choice of four different top arrangements—Safety-Top, Cluster Top, Divided Top, 4-Unit Top.



America's **FINEST** Automatic Electric Range . . .

Presteline

ELECTRIC RANGES

Product of **PRESSED STEEL CAR COMPANY, INC.**

Since 1898 Makers of Fine Steel Products

PRESSED STEEL CAR COMPANY, INC.

Domestic Appliance Division

666 Lake Shore Drive, Chicago 11, Illinois

Complete Line
includes:

CUSTOM 8
DE LUXE 6
DE LUXE 4
BUDGET

would not be the practical result in the present situation. On the contrary, it would greatly relieve the burden of the public utility commissions and other regulatory bodies all over the country, which are presently faced with the necessity of permitting various utility companies to increase their rates.

IN the case of telephone companies, for example, the removal of the Federal impost could be more than absorbed in the average percentage increase in rates which the telephone industry, both Bell and independent, will require to continue operations. The utility customer, in other words, would not have more money just to throw around in an inflationary market. But neither would he have to spend more money, or at least so very much more money, to obtain an essential utility service. The difference would be absorbed where it has to be absorbed anyhow, in the various increased costs of utility operations—wages, materials, and so forth.

WHATEVER the Republicans or Democrats in Congress may do about tax reduction in this politically sensitive presidential election year, it is hoped that the plight of the utility consumer, as such, will not be overlooked. All through the war and postwar years he has borne the heavy burden of special taxation simply because he *was* a public utility consumer.

A FURTHER important aid to the continued prosperity of the public utility industry, although the pressing need may not be so immediately obvious, is the recruiting and training of adequate publicity and promotional organizations to keep utility company revenue sustained at a profitable level in the years ahead. In this issue we are fortunate to have an analysis of this problem, with special emphasis on the electric industry, from none other than the president of the Public Utilities Advertising Association, HAROLD S. METCALFE, author of the article on public utility advertising, beginning on page 144, was born at Keighley, Yorks, England, in 1887. He came to the United States in 1903, and, after study-

JAN. 29, 1948

ing at Ohio Wesleyan and Drew Theological Seminary, MR. METCALFE is past president of the Pittsburgh Advertising Club. For thirteen years he served as chairman of the advertising committee of the Pennsylvania Electric Association and has just completed a term as chairman of the business development section of that association. In 1927 he entered the public utility business with the West Penn Railways Company of Pittsburgh. He specialized in public relations and advertising from the very beginning, and has been exceedingly active in this field ever since. He is now advertising manager of West Penn Power Company, and his article is, in substance, a paper given before the general sales conference of the Southeastern Electric Exchange on October 30, 1947.

* * * *

ANOTHER important problem of the future, and indeed quite pressing in the present, from the public utility industry viewpoint, is the matter of city planning. The leading article in this issue presents an especially penetrating analysis of the public utility industry's stake in planning the city of tomorrow by a well-qualified author. He is LESLIE WILLIAMS, nationally known traffic engineer of New York city. Born in Plymouth, England, in 1906, and educated at Harvard University (AB, '33 *cum laude*), MR. WILLIAMS was an instructor of traffic and city planning at Yale University from 1938 to 1941. He directed the city planning board of Providence, Rhode Island, from 1941 to 1944. He has been city planning and traffic engineer of the American Transit Association since 1944. He is the author of numerous articles and papers on city planning, transit expressway, zoning, public works, and related topics. His article in this issue is, in substance, a paper delivered before the Public Utilities Association of the Virginias.

THE next number of this magazine will be out February 12th.

The Editors

NEW!

this Visible Stock Control System
tells at a glance

BALANCE
ON HAND
(15)

HOW LONG
IT WILL LAST
(3 MONTHS)



A Stock Control System for— Construction Materials, Maintenance, Repair & Operating Supplies

"Balance-On-Hand" means little if you must stop to figure, "How Long Will It Last?" The Computing Chart supplies the answer—instantly and visibly!

By using Kardex and setting the Graph-A-Matic Signal, as illustrated above, you know:

1. **When to Order**—The heavy black line indicates the order point. (Two months or 60 days supply)
2. **When to Expedite**—The medium line at left indicates one month or 30 days supply.
3. **When You're Overstocked**—The medium line at right indicates three months or 90 days supply. (Beyond that point, Item is in surplus supply)

Other control and time-saving features of this system include Automatic Surplus Reports—Automatic Requi-

sitions—Complete Specifications—Monthly and Yearly Usage Figures—Records of Previous Purchases, etc.

This system can be installed by Remington Rand specialists, who also provide employee instruction, without interrupting your office routine during the change-over period. For complete facts on how Kardex Visible control can be applied to your particular requirements, call our nearest office or write to Public Utilities Systems Department, 315 Fourth Avenue, New York 10, New York.

Remington Rand

THE FIRST NAME IN BUSINESS SYSTEMS

Coming in the . . .



NEXT ISSUE

PUBLIC POWER AND TAXES

What is the justification, if any, of tax exemption for public power utility operations? Roy A. Wehe, assistant director, California Public Utilities Commission, gives us a thoughtful analysis of the principal contentions, pro and con, on this important topic. Is the establishment of "new wells" through growth and population a sound reason for exempting public power from taxes, or is it simply an excuse for unjustified discrimination against private industry? The well-reasoned conclusions in this article challenge the thoughtful reader.

THE WAGE STRUCTURES OF GAS UTILITIES

Toivo P. Kanninen, U. S. Bureau of Labor Statistics economist, has made a painstaking selection of factual data on wage structure and other working conditions prevailing in the gas utility industry in the United States. It is broken down into geographical areas and comparisons are made with over-all industrial averages.

SOME ASPECTS OF FOREIGN AID

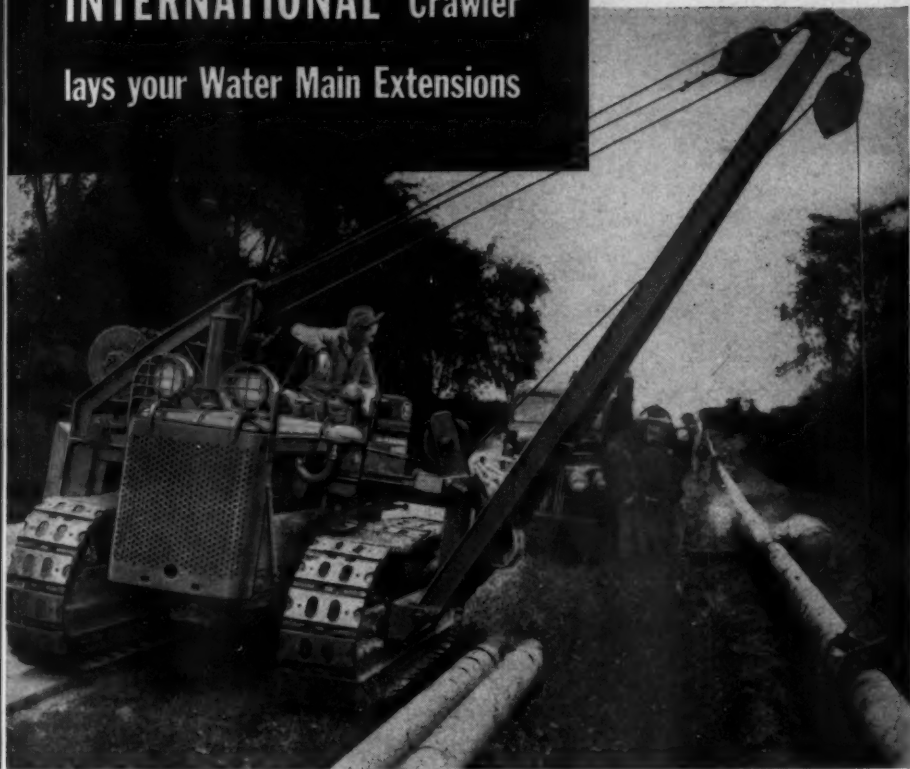
The over-all question of how much the United States can afford to spend in aiding "democratic" Europe is now rapidly being broken down to more practical questions as to how much of different kinds of American-made products can be exported without injuring our domestic operations. T. N. Sandifer, Washington business writer, translates these supplementary questions in terms of utility plant products.

SPREAD OF SMOKE REGULATIONS FOR PUBLIC UTILITIES

Antismoke regulation is not peculiar to public utilities; but it is a form of regulation which has become principally applicable to gas and electric utilities because their operations so often require downtown locations in large cities. Bethune Jones, legislative observer, gives us a round-up picture of such smoke control regulation throughout the nation.

Also . . . *Special financial news, digests, and interpretations of court and commission decisions, general news happenings, review, Washington gossip, and other features of interest to public utility regulators, companies, executives, employees, investors, and others.*

"It's a Pipe"—when an
INTERNATIONAL Crawler
lays your Water Main Extensions



This water main extension job is a "pipe" because of International power!

Here, an International TD-9 Diesel Crawler, equipped with a matched side-boom, carries and holds for welding an 8-inch, double-coated water main for a 20-mile installation. Later it will assist in lowering the pipe into the trench.

Contractors who use Internationals know that here is power that meets their needs completely, power that's balanced

to tractor weight and size—a crawler that stands up and delivers under the most punishing work.

For tractors and equipment required in your operations, consult the International Industrial Power Distributor in or near your community.

Industrial Power Division

INTERNATIONAL HARVESTER COMPANY

180 North Michigan Avenue Chicago 1, Illinois

INTERNATIONAL POWER
CRAWLER AND WHEEL TRACTORS • DIESEL ENGINES • POWER UNITS

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

FRANK W. PIERCE
*Director, Standard Oil Company
(New Jersey).*

"Capitalism cultivates ambition. . . . The way to retain and encourage a vigorous faith in capitalism is to help make every man a capitalist."

ROBERT A. TAFT
U. S. Senator from Ohio.

"The government today already has the power to check inflation if it wishes to do so. It can cut government spending, and urge the people to spend less and save more."

ROBERT M. HUTCHINS
Chancellor, University of Chicago.

"During the first five years of the Atomic Age, the atom has been used only for war, medicine, and research purposes. This year [1948] will see its wedding to industry."

EDITORIAL STATEMENT
The Wall Street Journal.

"So long as free elections exist, the mandates of which are carried out, there is little need to fear these twin threats to freedom—the vicious man hungry for power or the good man who is a zealot."

*Excerpt from statement, National
Association of Manufacturers.*

"When the budget is balanced, every dollar remitted to taxpayers through tax reduction means a dollar less that the government can spend in one way or another; i.e., on current operation or on debt retirement."

FREDERICK C. CRAWFORD
President, Thompson Products.

"The three things every worker wants of his job are dignity, security, and wages, and it is necessary that every employer show he is exerting strong, fighting, zealous leadership to obtain these for the workers."

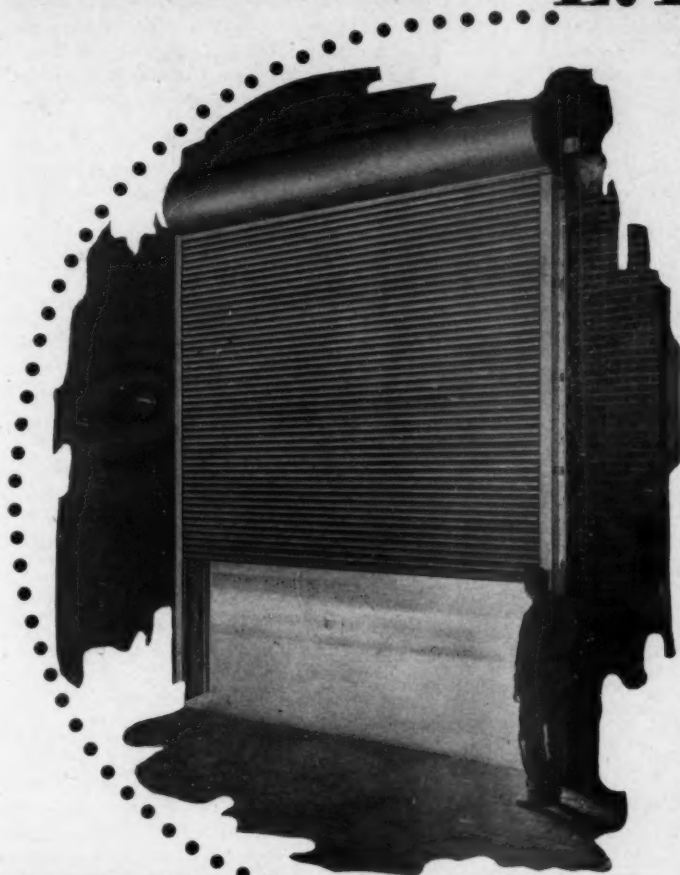
MORRIS SAYRE
*President, National Association
of Manufacturers.*

"In the face of overwhelming demands, and with a money supply more than three times that of 1939, industry, through competition and self-restraint, has held down its profits to approximately 6 per cent of the sales dollar."

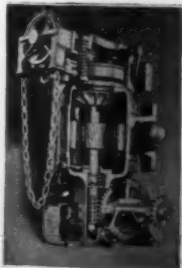
EARL BUNTING
*Former president, National
Association of Manufacturers.*

"... the best and surest way to bring forth the dynamic potential of this land is through an adequate flow of investment—into the machines which need replacing—into the expansion which a new level of prosperity calls for—and into the new competing industries which are ready and waiting to be born."

Do Your Doors Offer E. E. ?



ELECTRIFIED • EFFICIENCY



The rugged Kinnear Motor Operator brings maximum speed and convenience to door operation.



With the "electrified efficiency" of Motor Operated Kinnear Rolling Doors, you can speed up deliveries, keep door traffic moving faster, save time and labor, cut heating and air-conditioning costs by making it *easy* to close doors *promptly*. Push-button controls for each door can be placed at any point, with additional remote control switches if needed. And you get many other advantages from these rugged, all-steel, upward-acting doors. They save *usable* floor and wall space . . . coil out of the way overhead, safe from wind or vehicles . . . add to fire and theft protection . . . stand up longer, with less care, under hardest use. Built to fit any opening in old or new buildings. Write.

KINNEAR

ROLLING DOORS

The KINNEAR
MANUFACTURING CO.

Factories: 2000-00 Fields
Ave., Columbus 16, O.; 1742
Yosemite Ave., San Francisco
24, Calif.

Offices and Agents in
Principal Cities

REMARKABLE REMARKS—(Continued)

ARVILLE I. LEVORSEN
*President, Geological Society of
America.*

"We will not exhaust our petroleum resources, or fail to find new fields as fast as the oil is needed."

ROBERT NATHAN
*Former deputy director, Office of
War Mobilization and Reconver-
sion.*

"No doubt . . . business could make sizable price reductions and still maintain good profits. Those companies taking all the market will bear are the greatest friends of the Communists and the enemies of free enterprise."

EDITORIAL STATEMENT
The (New York) Sun.

"The extraordinary situation that permitted debt reduction of \$11,000,000,000 will not be repeated. What comes off the public debt from now on will have to come off through effort, determination, thrift, sacrifice, and courage."

RICHARD HOLLANDER
Scriffs-Howard columnist.

"And how does the city [Berlin] government make certain that users of electricity keep within their ration? Simple: Users are charged 100 times the normal kilowatt-hour rate for every kilowatt hour they use beyond the ration."

EMIL SCHRAM
*President, New York Stock
Exchange.*

"There has never been such an imperative need for increased production as exists today. There is a danger that, in order to expand, industry will have to resort, far beyond the limits of sound policy, to debt financing instead of equity financing."

PHILIP B. FLEMING
*Administrator, Federal Works
Agency.*

"Quite apart from the possible need for public works to stabilize the construction cycle and help bolster the business cycle, we need more advance planning merely to assure an orderly flow of public construction in prosperous times like the present."

BEN F. JENSEN
U. S. Representative from Iowa.

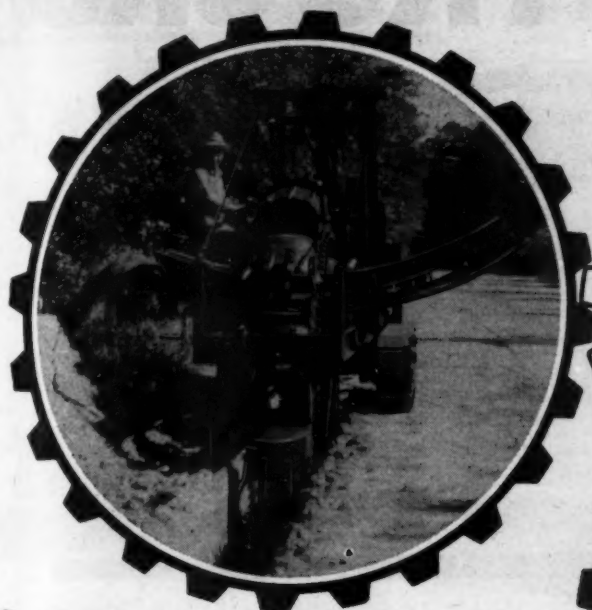
"If you folks [of the Columbia Basin Commission] demand a CVA like TVA, I'll never vote another dime to you. MVA is dead as a dodo. I do not want to abolish TVA, but I want to run a band around it so it will never spread out over the rest of the country."

EDITORIAL STATEMENT
The Journal of Commerce.

"We do not want to make the American economy a replica of the low-pressure economies of Europe. Continuation of confiscatory income taxes upon the middle and upper brackets of income would go a long way toward creating such an economy in the United States."

JACOB ARONSON
*Vice president, New York Central
System.*

"The cheapest conceivable investment that the American shipping public can make is to pay enough in the way of freight rates to enable the railroads to take their rightful place among the other major industries of the nation, practically all of which are now enjoying record-breaking prosperity."



CLEVELANDS
are
geared

to the
trenching
jobs

**GAS... OIL... GASOLINE... WATER AND SEWER...
TELEPHONE AND TELEGRAPH CONDUIT... DRAINAGE...
IRRIGATION... BUILDING FOUNDATIONS...**

Because...

**CLEVELANDS HAVE THOSE FEATURES VITAL
TO BETTER TRENCHING PERFORMANCE...**

- **RUGGEDNESS**
- **COMPACTNESS**
- **MOBILITY**
- **FLEXIBILITY**
- **POWER AND LONG LIFE**

TRADE
MARK



THE CLEVELAND TRENCHER CO.

20100 ST. CLAIR AVENUE

CLEVELAND 17, OHIO

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

NEW TRUCKS-

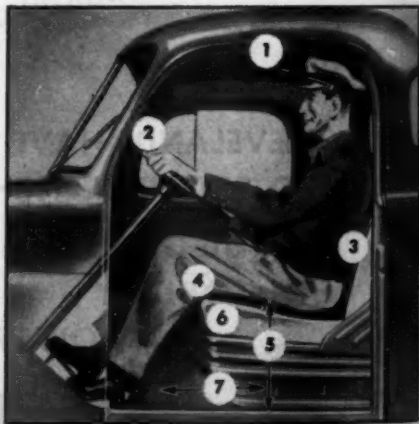


NEW Styling

These new Dodge "Job-Rated" trucks are wide, massive trucks representing DESIGN with a PURPOSE . . . trucks combining appearance with comfort, safety, performance, economy, and ease of handling.

NEW COMFORT

- ① PLENTY OF HEADROOM.
- ② STEERING WHEEL . . . right in the driver's lap.
- ③ NATURAL BACK SUPPORT . . . adjustable for maximum comfort.
- ④ PROPER LEG SUPPORT . . . under the knees where you need it.
- ⑤ CHAIR-HEIGHT SEATS . . . just like you have at home.
- ⑥ "AIR-O-RIDE" CUSHIONS . . . adjustable to weight of driver and road conditions.
- ⑦ 7-INCH SEAT ADJUSTMENT . . . with safe, convenient hand control.



ALL THIS...

and more...with the

NEW DODGE

S-REALLY NEW!

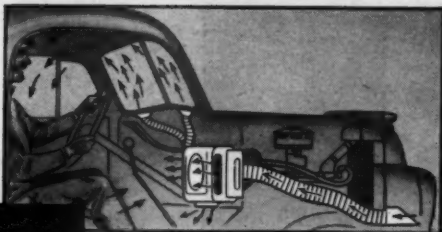
NEW Tractors and other High Tonnage Models!

You'll find, in these new high tonnage models, many *exclusive* advancements: Strong, durable metals and alloys . . . precise machining, and a much wider range of equipment. Engines have cost-reducing sodium-cooled valves, and stellite-faced exhaust valves and seat inserts. Other outstanding features include sturdy 5-speed transmissions; rugged 12" and 13" clutches; smooth, safe brakes—the finest in the trucking industry.



NEW All-Weather Ventilation

You drive in comfort whether it's 10° below or 100° above. Available is an ingenious combination of truck heater, defroster vents, vent windows, cowl ventilator, and a new fresh air intake from behind the front grille. It's the finest "All-Weather" heating and ventilating system ever installed in a truck cab.



NEW

"Pilot-House" Cabs with all 'round vision

Note the tremendously increased vision of these cabs. Windshields and windows are higher and wider. New rear quarter windows add still more to vision, and to safety. With this increased glass area throughout, you get "Pilot-House" vision in all directions. With welded all-steel construction, they're the *safest* cabs built.

Job-Rated" TRUCKS

Now on Display
SEE YOUR
DODGE DEALER

• **MAXIMUM PROTECTION AND LONG LIFE** •



**TYPE RLJFJ
THREE CONDUCTOR**
Also all standard types
of metallic Parkway ca-
bles, to I.P.C.E.A. specs.
Special cables to cus-
tomer's specifications.

CRESCENT

Steel Taped

PARKWAY CABLE

Insulated with
CRESCENT ENDURITE
Heat-Resistant
rubber insulation (75°C)
in 600 to 5000 volt range.

Or with
Varnished Cambric for max-
imum current carrying capacity
or higher voltages.

NO other protection required except at points of extreme mechanical hazard. Being well protected from ordinary mechanical injury and easy to install, they provide an economical, permanent underground system.

These cables are widely used for street lighting circuits, railroad yard lighting and signal systems, airport power and lighting circuits and in industrial plants and mines.



CRESCENT

WIRE and CABLE



CRESCENT INSULATED WIRE & CABLE CO.
TRENTON, N. J.

**serve
growing
electric loads
economically**

**with
system
planning!**

Here's how EBASCO engineers can help you plan the expansion of your system—to serve adequately present and expected loads and be readily adaptable to potential growth and technological advances. They take all factors into account, assuring you minimum overall operating costs and maximum useful life.

EBASCO specialists study your present system, markets, load growth and customer service requirements. They coordinate the planning of required additions and revisions to the three components of the system—*power supply—transmission—distribution*. They bring a fresh *objective* approach and application of advanced practices to each problem they tackle—along with diversified ex-

perience in the development and operation of all types of utility systems and power pools.

EBASCO engineers will develop several alternative plans with comparisons of investments, investment costs, operating costs, evaluated service and other factors. You get a complete report on which management can act with assurance. It advises you on *when, what and where* to build. Write for a booklet describing EBASCO services and facilities.

EBASCO SERVICES

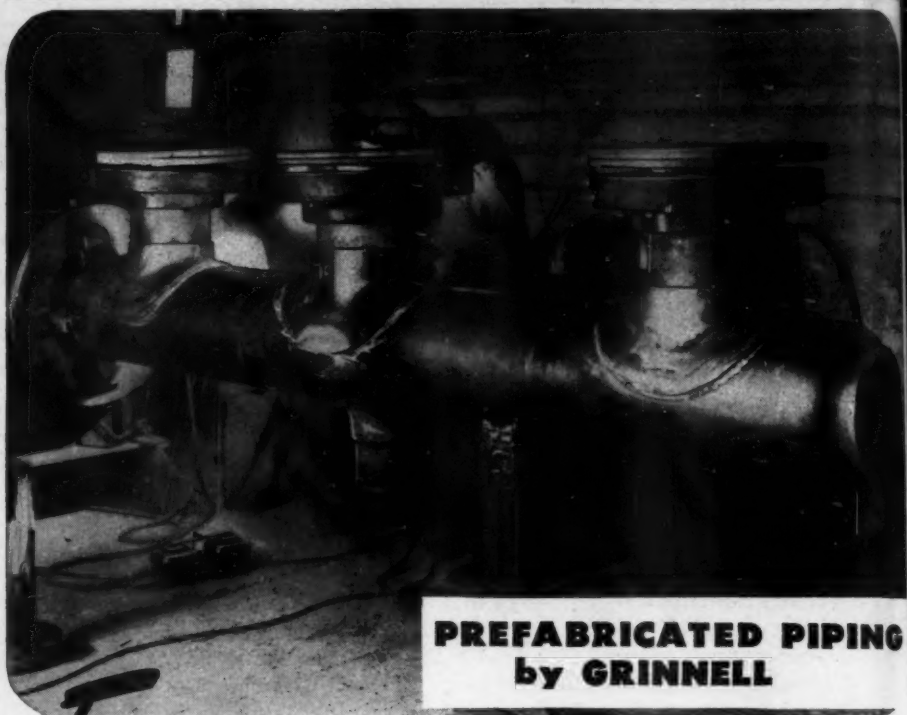
INCORPORATED

**TWO RECTOR STREET
NEW YORK 6, N. Y.**



Accounting • Appraisal • Budget • Consulting Engineering • Corporate Finance • Design & Construction • Industrial Relations
Inspection & Expediting • Insurance • Purchasing • Rates & Pricing • Research • Sales & Marketing • Taxes • Traffic

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)



PREFABRICATED PIPING by GRINNELL

EVERY SIDE IS UP

with this rotating welding fixture ...

HERE IS GRAPHIC PROOF of one of the many reasons why the welds on Grinnell Prefabricated Piping are clean and flawless. With roll welding the operator can work to better advantage because the most accessible welding position is maintained. Also welding bead can be cleaned during rotation.

Grinnell shops are equipped with hundreds of such aids to better welding — jigs, turntables, adjustable fixtures and positioners ... all manned by qualified welders, each a specialist in his type of work.

Correct welding is but one of many reasons why engineers everywhere rely on Grinnell for prefabricated piping. They know they can be sure of expert interpretive engineering and laboratory research, modern fabricating facilities and rigid inspection.

Branch Warehouses

Atlanta 2, Ga.
Charlotte 1, N. C.
Chicago 9, Ill.
Cleveland 14, O.
Cranston 7, R. I.
Houston 1, Tex.

Kansas City 16, Mo.
Los Angeles 13, Cal.
Milwaukee 3, Wis.
Minneapolis 15, Minn.
New York 17, N. Y.
Oakland 7, Cal.

Philadelphia 34, Pa.
Sacramento 14, Cal.
St. Louis 16, Mo.
St. Paul, Minn.
San Francisco 7, Cal.
Seattle 1, Wash.

Summed up, Grinnell Prefabricated Piping assures *quality* and *economy* because of one source for design and fabrication; pretesting and approval before shipment; only completed assemblies are billed and at predetermined prices; delivery schedule can be predetermined but kept flexible; field assembly time is materially reduced. Write for booklet, "Prefabricated Piping by Grinnell".

GRINNELL COMPANY, INC.

Executive Offices, Providence 1, R. I.

Pipe Fabrication Plants

Cranston, R. I. • Atlanta, Ga. • Warren, Ohio



WHENEVER PIPING IS INVOLVED

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)



Utilities Almanack



JANUARY





29	T ^a	† National Association of Women Broadcasters begins convention, Washington, D. C., 1948.
30	F	† American Institute of Electrical Engineers ends winter general meeting, Pittsburgh, Pa., 1948.
31	S ^a	† Associated Equipment Distributors will hold annual meeting, Chicago, Ill., Feb. 15-19, 1948.



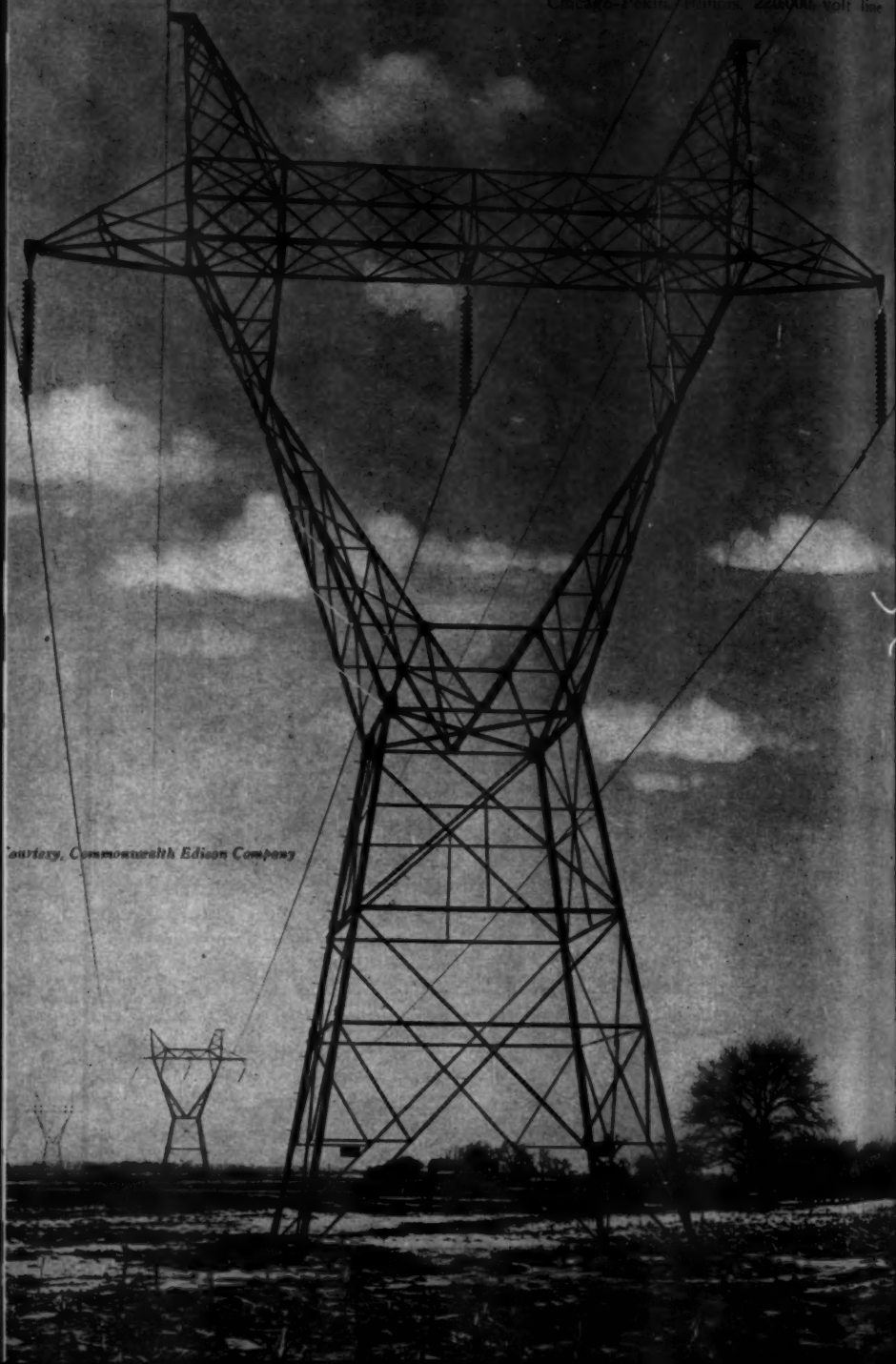
FEBRUARY



1	S	† United States Conference of Mayors will hold annual conference, New York, N. Y., Feb. 16-18, 1948. 
2	M	† Eighth International Heating and Ventilating Exposition begins, New York, N. Y., 1948.
3	T ^a	† National Association of Home Builders will hold convention, Chicago, Ill., Feb. 22-26, 1948.
4	W	† Public Utilities Advertising Association begins New England regional meeting, Boston, Mass., 1948.
5	T ^a	† Missouri Valley Electric Association begins Power Sales Conference, Kansas City, Mo., 1948.
6	F	† American Concrete Institute will hold annual convention, Denver, Colo., Feb 23-26, 1948.
7	S ^a	† Texas Telephone Association will hold convention, Galveston, Tex., Mar. 15-17, 1948.
8	S	† New England Gas Association will hold annual meeting, Boston, Mass., Mar. 18, 19, 1948.
9	M	† Associated General Contractors of America, Inc., begins annual convention, Dallas, Tex., 1948. 
10	T ^a	† Kentucky Independent Telephone Association will hold convention, Lexington, Ky., Mar. 24, 25, 1948.
11	W	† Edison Electric Institute, Meter and Service Committee, ends joint meeting, Oklahoma City, Okla., 1948.

Pathway of Power

Chicago-Pekin, Illinois, 220,000 volt line



Courtesy, Commonwealth Edison Company

Public Utilities

FORTNIGHTLY

VOL. XLI, No. 3



JANUARY 29, 1948

Public Utilities and City Planning

Helping to plan the city of tomorrow is both a duty and a responsibility for the gas, electric, telephone, transit, and water utility industries. With American cities, large and small, already overcrowded and still growing, the part of utilities in community planning can hardly be underestimated.

By LESLIE WILLIAMS*

WE need comprehensive community planning and coordinated thinking among public utility executives more now than ever before to save the substantial capital investments in public services from deflation and possible collapse.

"Haphazard" may be too harsh a word to describe the development of public utilities in our older cities. At any rate, millions of dollars will go over the dam for rebuilding and re-

placement of water supply, sewerage, power and light systems, telephone and other communication facilities, police, fire, and traffic signal systems, and public transportation before our *existing* public services can be brought up to reasonable adequate standards.

Discounting the rebuilding costs, the U. S. Public Health Service reckons we have an 8 billion dollar deficiency in water supply and waste disposal facilities alone.

Complete modernization of community utilities will run into the upper

* For personal note, see "Pages with the Editors."

PUBLIC UTILITIES FORTNIGHTLY

billion dollar brackets—a grave responsibility for public service planners with only a very thin margin for mistakes.

This is more than a pick-and-shovel job.

Inadequacies and inefficiencies in community facilities must be correlated as part of an over-all plan for community development to achieve a permanent and financially sound cure for urban ills. Our cities are full of infirmities. The middle-aged residential neighborhoods lack not only adequate public services but also sufficient recreational space and other amenities.

A ring of blight is inflaming the central business core and spreading out along congested thoroughfares lined with honky tonks.

Municipal finances are in a mess. Our cities are ripe for redevelopment. But, by the same token, it is important for us to make haste slowly with the cool determination of a surgeon seeking the cause of some malfunctioning organ lying deep in the body.

We have known for some time, of course, that central cities in metropolitan areas are being drained of a sizable percentage of their present resident population to uncontrolled outlying areas.

HOUSING authorities tell us that we require about a million homes a year for the next decade to bring housing up to reasonable American standards. By the end of 1947, between 800,000 and 900,000 house and apartment units were reported under construction.

But where? In outlying areas! At least, a greater proportion are to be

located outside cities than ever before. The flight from our cities is on with a vengeance. Real estate people tell us about scarcity of key materials and lack of skilled building mechanics in congested areas; but we know that the causes of decentralization go deeper than these.

About 5 million motor vehicles will pour forth from automotive assembly lines this year;—each with an aim to travel double the mileage of the average car before the war. The auto industry expects to better this mark in 1948 and to surpass its previous all-time high of 5½ million motor vehicles produced in 1929.

THE Federal Works Agency recently adopted a National Interstate Highway System crisscrossing the continent and going through 182 of the country's 199 cities, having populations of 50,000 or more.

Road builders expect to spend over a billion dollars in 1947, mostly for repatching and repairing highways outside but near cities.

Housing and highways, designed in a vacuum and unrelated to each other or the plans for the communities they are to serve, will encourage uncontrolled decentralization—bad for cities, suburbs, and the surrounding countryside.

Unless effective steps are taken to guide consciously urban growth along sound lines before the forthcoming housing and highway building booms reach their full tempo, our cities will be destroyed as effectively from within as bombing destroyed the cities of Europe and Asia.

We don't have to be A-bombed to be eclipsed!

PUBLIC UTILITIES AND CITY PLANNING

Our Choice

WE are faced with a choice: Continue our piecemeal and negative approach of applying palliatives and prohibitives or take the *positive* approach of consciously guiding the development of the entire city and suburban area as a unit.

This is no small dream. This is a vision calling for the courage, imagination, decision, and enterprise that hewed this country out of the wilderness into the foremost nation today!

Are we going to continue complacently in the old rut and let improvisation be our guide? Or are we going to be realistic and practical?

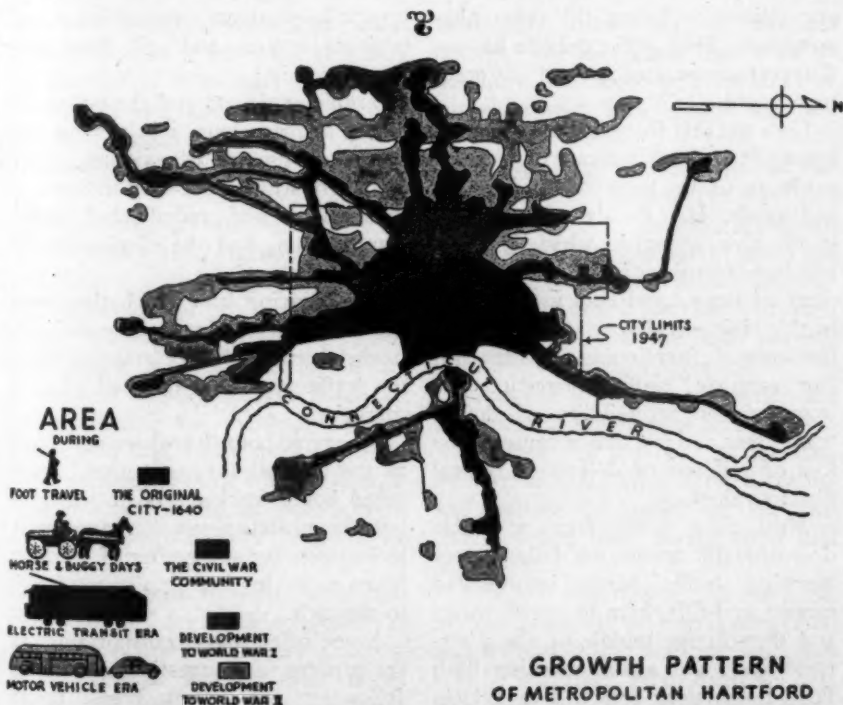
If we sit back bickering among ourselves and let improvisation be our

guide, the present trend in urban disintegration will be the spark which explodes the distended city of today into a chaotic, disorganized, and jumbled mass of conflicting land and property uses of tomorrow.

All of us have a great stake in this problem and, therefore, should assume our civic obligations and take the initiative in ferreting out the forces directing urban growth and harness them in the public's good—our good!

Transportation Is a Major Force

IN studying the growth of our communities, we will see how succeeding advances in transportation have directed and controlled its configuration or pattern.



PUBLIC UTILITIES FORTNIGHTLY

A little over fifty years ago our cities were compact communities, the shape and extent of which were determined by foot travel. With the coming of the street railway, our cities were transformed into a star-shape pattern with developments taking place along mass transportation lines.

An amazing thing happened in the early 1920's. Automotive enterprise mixed up a strong batter of gasoline, rubber, and cement. Millions of motor vehicles, rolling on pneumatic tires over paved roads, sprawled our cities out like misshapen monstrosities over the surrounding countryside.

"Autopia" was here and became a national disease. This identical process is going on everywhere in this American Kingdom of the Automobile. All our cities are facing the same phenomenon. They differ only in having different circumstances and different topographies.

Let's put this force under the microscope. It is the lifestream of the city made up of the movement of people and goods. It is the dynamic element in the civic organism which breathes life into an otherwise static arrangement of streets and land uses. Flaws in this civic circulatory system impair the normal functioning of the city. For example, traffic congestion has impaired the accessibility of downtown areas and is a major cause of the loss of millions of dollars of central district values.

Most cities suffer from a double dose of traffic congestion daily. Every morning traffic pours into urban centers and fills them to overflowing; and then in the middle of the afternoon flows out again, reaching flash flood proportions around five o'clock.

JAN. 29, 1948

Life today in our large metropolitan centers has become one constant "daily double" for adults—struggle in town to work in the morning and struggle out at night.

What to Do about It?

THE key to traffic accidents and congestion is not found in chasing from one accident location to another with a bundle of "go right" signs in one hand and red, yellow, and white paint brushes in the other.

The answer is not found in dropping old tires or wooden sawhorses in the middle of complicated intersections nor in relabeling ordinary streets as "express streets." We cannot solve the flaws in traffic circulation with "a good 5-cent parking meter" or by theorizing how to keep private automobiles out of business centers and still keep customers coming.

Traffic engineers and the police are doing a marvelous job getting the maximum use out of existing streets and highways by one-way movement, modernized and coördinated traffic signalization, and the elimination of curb parking.

It's amazing how much the latent traffic capacity is, in our so-called outmoded horse 'n buggy arteries, when the traffic stream is cleansed of curb corrosion.

Staggered hours have been advocated as the cure-all for congestion. Staggered hours worked well in wartime, but the peacetime worker apparently looks upon the staggering of working hours as taking castor oil—too harsh to stomach.

Some offer mass transportation as the panacea for congestion, despite the following: That motorbuses, track-



Rôle of Public Utilities in Community Development

"... planners of public utilities play a major part in all phases of community development. They provide the water supply, sewerage, power and light systems, telephone and other telefacilities, police, fire, and traffic signal systems, public transportation, and other public services without which our cities could not function. The planning of our cities is not a one-profession or a one-industry responsibility."

less trolleys, and streetcars are most efficient users of street space; that they are the safest and most economical form of transportation yet devised; and that they require no parking space; nevertheless, riding is falling off!

THE transportation of people in cities is a highly competitive business today and the public's concept of transportation has grown with the increase in the general standard of living. Young couples dreaming of the delivery of a shiny new car develop a strong distaste for the long, tedious journey to and from work. Therefore, we must provide efficient and attractive mass transportation to prevent further strangulation of our traffic arteries.

We often hear that the "only possible solution" for traffic congestion is to build elevated and depressed motorways into and through our central business districts. We know there is

inadequate auto access to business centers. We also know that cities do not know what to do with the cars that superhighways now dump into the downtown.

Our existing streets were not designed for the "Automotive Age" and we must modernize and supplement our existing thoroughfares; but it has yet to be demonstrated that the digging of "Autopic Ditches" through business districts is the "only possible solution" for traffic congestion.

Panaceas for traffic congestion are as numerous as ballpoint pens.

To date our approach to the harnessing of this major force directing and guiding the growth of our communities has been disorganized and superficial.

Traffic is interwoven with the street system; streets in turn with terminals; and terminals with abutting land uses which, altogether, go to form the city. We need the comprehensive commu-

PUBLIC UTILITIES FORTNIGHTLY

nity planning approach on a metropolitan-wide basis, if we are to direct the *exploding city of today* into an organically arranged metropolitan community of communities of tomorrow, to save our economy from collapse and ruin!

Economic Implications

WE cannot afford to let uncontrolled decentralization continue unabated. It is too wasteful. It breeds blight inside and outside the city. Suburban slums are as destructive as are the common in-town variety.

Furthermore, our cities are worth saving. They are probably our greatest national resource. Where would we have been in the last war without our great urban potentials? The rise and fall of great nations is told in the growth and decline of their cities.

Our cities are the major markets for all the goods the United States produces. Cities are the centers of marketing, of competing ideas, and achievements in the arts and sciences. The nation's wealth and power stem from its cities. We need to guard them well.

But, the urban market for a great many of our national products is being restricted! For example, automobile manufacturers once looked to a future of one car for every three persons in the United States; but no more! All this seems to be another automotive hallucination. Over 80,000,000 persons, or 60 per cent of the population of the United States, live in urban areas, yet the 40 per cent rural dwellers own the bulk of the cars. Why?

Traffic congestion and the cost of operating and garaging a car in cities

stifle its use. In other words, the urban customer, who buys high-grade tires, gas, and oil is being choked off. An iron curtain is being drawn around urban areas restricting the growth of the automotive industry.

LOCAL business interests are becoming alarmed. The automotive industry is a *large* market for the goods we produce. One out of every seven persons gainfully employed in normal times is directly or indirectly so employed as the result of the automotive industry.

Big business is beginning to realize that, as soon as war deficiencies have been made up, the market for a number of urban products, including new automobiles and all the products connected with the automobile and road building, will be definitely curtailed—*unless* a more positive and comprehensive approach is made toward the solution of the urban transportation problem.

Dividends will diminish in many of our major industries. Business will fall off. Real estate owners will again be seeing large red spots on their ledgers.

Everyone who lives and works in cities and is otherwise dependent upon the urban market for a livelihood could be adversely affected.

The consequences are tremendous, for a relapse in manufacturing and construction could be reflected in deep dips in business and in employment.

If we could only awaken — only bring the great counterforce — the great power—that lies behind individual initiative into this problem, we would unleash economic forces likened to which the world has never seen.

PUBLIC UTILITIES AND CITY PLANNING

Perhaps, we do stand on the threshold of an era of urban replanning and redevelopment — a great American Renaissance.

We Have a Problem:

AND no simple problem to be solved by any group of engineers and architects over a luncheon or drafting table. This is probably the most complicated problem ever set before mankind. Although the problem is primarily one of transportation, it obviously involves problems of location and relocation, which is to say, underground gas and water mains, electric power and telephone cable, and all the planning, construction, and maintenance which go into the smooth operation of a modern city's public utility services. Their plans must be coordinated as part of a unified pattern.

We Have the Wherewithal:

FOUR to 5 billions of dollars are wasted annually on traffic congestion and accidents alone, which is equivalent to a capitalized investment of 80 to 100 billion dollars that might be productively spent without costing us a penny more than we spend now. This does not even take into account the financial drain from wasted land, impaired property and business values, tax losses, senseless administrative expense, delinquency and crime, altogether running into many billions of dollars. Furthermore, we can afford

to cure congestion or pay for many other things if we continue to expand our economy with a high level of productivity and employment.

We Have the Know How:

THE experience of our engineers and planners is in great demand the world over. Professionals from other lands come to our shores to learn our techniques.

We Have the Tools:

FOR example, the American Road Builders' Association will put on display at their road show at Soldier's Field in Chicago, in July, 1948, over a million square feet of machines and materials, the modern robots to do the job of rebuilding America, if necessary.

Above all, the "Fluid City of the Future" already evolving under the pressure of local strain.

The Fluid City of the Future is a series of cellular units devoted to living, working, learning, and playing, arranged organically by neighborhoods and linked together by means of a balanced system of transportation. In the Fluid City of the Future radial freeways, circumferential parkways, modernized major thoroughfares, and adequate terminals for automobiles, transit vehicles, and trucks will form the framework for land uses, and serve relocated key industries, reconditioned residential neighborhoods,



Q "UNLESS effective steps are taken to guide consciously urban growth along sound lines before the forthcoming housing and highway building booms reach their full tempo, our cities will be destroyed as effectively from within as bombing destroyed the cities of Europe and Asia."

PUBLIC UTILITIES FORTNIGHTLY

new parks, revitalized business districts, and self-contained satellite suburbs. The Fluid City of the Future is based on the thesis that if we concentrate on developing a system of transportation and public utilities which will meet the *desire trends* of population, then the land use interstices will adjust themselves into a harmonious and functional government, promoting the public's best interests.

The Fluid City of the Future is beginning to take shape. Population and land use trends point to a pattern with a less populous central city with more open space, catering to an expanded market region and serving as a great work center for an enlarged commuter population living in the surrounding "rurbanic" countryside.

The Answer:

How then can we harness and control the forces that have guided the configuration of our cities?

What we need first is a plan — *A People's Plan*—one that will fill "John Doe" with enthusiasm. One that will provide a common ground for private initiative and government participation. One for which the people's representatives will feel justified in appropriating public funds and in which the bankers will feel safe investing the public's savings.

We should aim to:

- Decongest and revitalize central business districts

- Rehabilitate and redevelop slum and blighted areas

- Protect and preserve existing residential neighborhoods

- Guide and control outlying developments in accordance with a Master Plan

- Review and rationalize the tax base and financial structure of cities

We can achieve our goal only by proceeding along a hard, cold, factual path.

We must proceed from a careful appraisal of what we have to an estimate of the community's economic potentials; and then to a general Master Plan of development showing highways, terminals, transit improvements, parkways, parks, public utilities, public buildings, and areas for private, residential, commercial, and industrial purposes.

When this picture of future possibilities is adopted, then the Master Plan should be supported with modernized building, zoning, subdivision, and other planning legislation, and also by a rational program of public works and financing, capable of translating plan into reality.

Now Is Our Chance:

Now is the chance for private enterprise and government to unite on a simple, down-to-earth program which can keep us out of a recession or at least prevent it from declining into a depression.

Public utility executives and administrators have a large stake in this problem. In fact the planners of public utilities play a major part in all phases of community development. They provide the water supply, sewerage, power and light systems, telephone and other telefacilities, police, fire, and traffic signal systems, public transportation, and other public services without which our cities could not function.

The planning of our cities is not a

PUBLIC UTILITIES AND CITY PLANNING

one-profession or a one-industry responsibility.

We must, all of us, from all walks of life, unite in the readjustment and reorganization of our cities to meet the requirements of the Automotive and Atomic ages in which we live; otherwise, we're likely to wake up one of these days to find the bombed-out and rebuilt cities of Europe and Asia have

become the New World—We the old World of the Future.

Let us, therefore, assume our civic obligations and begin working together with professional planners, engineers, and architects, with private groups and public agencies to produce on this continent communities which will shine as beacons of our American Way of Life in this troubled world.

Essential Differences in Utility Ownership

"AND what essentially is the difference between a privately owned utility corporation and a state-owned utility?

"In the case of the private corporation the citizens of the state and the country, who have the money to invest and desire to take the risk, buy the corporation's stock and own it lock, stock, and barrel. If they want to sell the stock to somebody else they may do so, taking a loss or making a profit as circumstances at the time allow.

"The price of the corporation's stock and the dividends paid the stockholders depend upon the efficiency of the management selected to operate the utility. They depend upon the management's ability to attract new customers and to hold rates to a point where new customers can be attracted.

"But privately owned public utilities are vested with such a direct public interest that the state does not allow the profit motive to operate freely in this field. Rates are regulated by the state and may be raised or lowered only as the state allows. And the valuation of the company's holdings for the purpose of rate fixing is determined also by the state, not by the corporation.

"The state-owned utility, however, is a horse of a different color. It, too, is owned by the citizens of the state, but in this case the citizens have nothing to say about it and no choice. The taxpayers of the state do the buying, but they have no stockholder's certificate to certify to their ownership and they get no dividends from it. They cannot dispose of their ownership in it as individuals, even if they needed the money for some other laudable purpose.

"And because state-owned corporations and authorities are divorced from direct contact with the taxpayers, who foot the bill, it isn't required that state-owned utilities be efficiently operated. It is only necessary that they be operated in conformity to the rules of politics."

—EDITORIAL STATEMENT,
The Columbia (South Carolina) Record.



Should Public Utilities Advertise?

Here are plenty of good reasons for advertising by operating utilities. The need for such an efficient sales aid is even more necessary for an operating utility, notwithstanding its local monopoly position, than for the sale of products by manufacturers in a competitive market. Utility load building can of itself improve community relations if the publicity is rightly handled.

By HAROLD S. METCALFE *

PRESIDENT, PUBLIC UTILITIES ADVERTISING ASSOCIATION

IT is trite to admit that there are many acute problems facing the public utility industry today. Those concerning plant capacity are almost universal. We face major problems in the field of our relationships, customer relationships, and community relationships. We face problems in other fields, too. Among the questions confronting the industry which are uppermost in our minds are those connected with the fundamental economics of our business and the need for intensive development of increased load over the period ahead.

My principal thesis is that a broad attack upon one of these problems will help in great measure toward the solu-

tion of all of them, and that the skillful planning and use of advertising is a vital weapon in such an attack. If we can satisfactorily resolve the problem of load building, my belief is that we shall ameliorate to a marked degree many of the other problems which we face. For instance, we recognize that a great deal of educational effort is needed to counteract government ownership propaganda, and the legislative efforts of the "little foxes" to curtail through hampering regulations our effectiveness as business-managed companies. I contend that the sales end of the business can be a powerful influence in this situation and in all our relationships, by maintaining an aggressive, persistent, and intensive load-building activity.

* For additional personal note, see "Pages with the Editors."

SHOULD PUBLIC UTILITIES ADVERTISE?

One of the best defenses of the business-managed electric companies is a strong sales offensive. Indeed, I feel that load-building activity can be one of the most effective means of improving employee, stockholder, customer, and community relations. Hence, a key interest of the sales and advertising men of the industry must be in our companies' determination to have load-building plans of the highest practical intensity for the years ahead.

LOAD building can improve community relations. It can be a big influence in winning the public to support the traditional and effective way of raising living standards through the greater and better use of electricity.

An aggressive sales program by an electric company helps to define that company as a local commercial entity, like the department store, the coal company, and the insurance company. The American people like to be sold things which raise their standards of living, give them more comfort, leisure, and profit. The more clearly our companies are defined in the public mind as merchants rather than vague disembodied spirits—or capitalistic bogies—floating in the economic clouds, the better we will be understood and appreciated for what we are.

See what happened in the parallel case of the commercial banks of the country. Are they not closer to the community and the public as they merchandise small loans, car and furniture financing, banking by mail, and Christmas savings, than when they were believed to be simply institutions busy with the broad subject of finance as a factor in community growth?

I believe that every time we cam-

paign intensively with homemakers, urging them to buy electric blankets and other appliances, home freezers, sterile lamps, and television, we will be doing part of this public relations job.

Further, when special presentations are undertaken—such as a community development program for the industrial sales department, or a main street face-lifting activity for commercial sales—there are broad community relations values presented.

EXTENSIVE advertising of such values *without* an accompanying local program would scarcely be justified economically as promotion of the commercial or industrial market. But with a program operating, advertising space and publicity might well be justified as a means of *driving home to the community a concrete example* of what we hold to be part of the utility company's responsibility to the public.

When we visualize a vigorous load-building activity among our employees, we create a good feeling about jobs for the years ahead. Its graphic evidence of plans for growth is, therefore, a definite factor in influencing employee relations. It is a practical way for us to keep them aware of the opportunities open to them tomorrow, as well as the fact that "wealth is a flow, not a fund." Employees kept busy at a challenging task are usually happy employees. It is still true that the devil finds work for idle minds and hands to do.

Intensive load building can also produce good will among stockholders, giving them evidence of the vigor of the enterprise in which they are partners and assuring them of stable returns on their investments.

PUBLIC UTILITIES FORTNIGHTLY

Thus, in my judgment, aggressive load building is not only a factor in stimulating company growth *per se*, but also has a direct benefit in the fields of customer, community, employee, and stockholder relations.

Of course, we still have plenty of opportunity for straight public relations advertisements and publicity releases. The tone and objectives of these are being set on a national industrial level by the Electric Companies Advertising Program which N. W. Ayer is handling with such great ability. In specific company situations, such companies still find need for definite public relations remedies. There are many opportunities for us to activate the public and employee relations components of almost everything the utility company does, from billing and rate making to employee publications and stockholders' reports.

We all know that the immediate need for load building does not seem acute. The present demand for electricity, for example, is so overpowering that the problem is capacity not promotion, and capacity may continue to plague us for some months. This very fact creates a superb opportunity for those of us in the sales and advertising end of the industry to organize for the big job ahead. When free selling develops, when we have to work

harder for our share of the consumer's dollar, when we begin to compete with the home builder, the car manufacturer, the grocery man, and the furniture store for our quota of the market, then we shall be on trial. In the meanwhile, we have this friendly plateau of time where we can catch our breath and plan operations for tomorrow. We have time to think, to organize, to build up reserves, to get set for the rougher competitive road ahead.

WHAT is the size of the load-building job tomorrow? It is tremendous, if we think along the lines suggested at the Edison Electric Institute convention last June by Elmer Lindseth, the president of the Cleveland Electric Illuminating Company. He took courage in both hands and made a prophetic projection of the growth of the electric industry for the next thirty years.

Mr. Lindseth made the arbitrary assumption that our rate of growth in this period would not be as rapid as it has been, but only one-half as great as it was during the previous three decades. His projection developed the astounding goal of *one trillion kilowatt hours annually by 1976!* That's a lot of kilowatt hours.

He conceded that long-range forecasting is both difficult and inexact,



Q "ONE of the best defenses of the business-managed electric companies is a strong sales offensive. Indeed . . . load-building activity can be one of the most effective means of improving employee, stockholder, customer, and community relations. Hence, a key interest of the sales and advertising men of the industry must be in our companies' determination to have load-building plans of the highest practical intensity for the years ahead."

SHOULD PUBLIC UTILITIES ADVERTISE?

particularly in such a swiftly growing industry. I am not particularly concerned whether Mr. Lindseth's estimate for 1976 is completely accurate or not. It has the tremendous value of being a concrete figure. Suppose he is wrong by 25 per cent, one way or another—the problem we have to face in the next five, ten, or fifteen years is precisely the same, anyway.

If the electric industry is to become five times as great in the next generation as it is now, we must be prepared to face the constant hammering of public ownership propagandists in their efforts to pluck this rich plum from the tree of free enterprise. The more dynamic we are in our load-building programs, the better we serve our customers, the less appeal public ownership will have to the public at large.

IF we are to grow as we hope to grow, we must be able to convince the employees of our companies that we are furnishing electricity more efficiently and more economically than any government agency could furnish it. They must know the facts if they are to be loyal employees and effective emissaries on our behalf in their neighborhoods. The more vigorous our selling, the greater is the opportunity for individual employees to advance to better jobs, for customers to have better service, for stockholders to be assured of continuing returns, and for communities to develop as we grow.

Where does advertising fit into this picture? If they are worthy of their calling, the advertising and publicity men of the utility group should be specialists in one important art—the art of communications in all its forms and aspects. Communication implies an in-

terchange of ideas—activity in both directions through an open channel.

On the one hand, there is the job of telling, of informing others by every known medium. In management's eyes, the advertising man should be—and generally is—the specialist in this field. Communication in this phase is the tactical end of the advertising man's job.

IN addition to this generally accepted function of advertising men, there is the receiving phase of communications. This includes sensing public attitudes, discovering what creates them, and knowing what to do to meet problems arising out of these public attitudes. This is the strategic end of advertising men's jobs. Here is where they can effectively counsel management and help in shaping company policies.

But here, too, is where their weakness sometimes lies. Either the advertising man lacks in having the *know what*, as well as the *know how*, or he has been ineffective in convincing management of his ability to interpret public attitudes and devise counterbalancing company strategies. This ability should be as real and as specialized as the sales manager's ability to judge market conditions and suggest sales activities accordingly. Or, as the accountant's and engineer's ability to forecast trends and counsel the appropriate steps to be taken.

It may be, in some cases, that management, under the pressure to get things done, has tended to use only the tactical abilities of the advertising man. Perhaps it has failed to recognize that even greater good might be accomplished by utilizing also his strategic



Public Ownership Propagandists

"If the electric industry is to become five times as great in the next generation as it is now, we must be prepared to face the constant hammering of public ownership propagandists in their efforts to pluck this rich plum from the tree of free enterprise. The more dynamic we are in our load-building programs, the better we serve our customers, the less appeal public ownership will have to the public at large."

abilities in the councils where policies are being discussed and formulated.

But the urgent questions about advertising as we face this tremendous load-building opportunity are not so much in the area of advertising *tactics* as that of *strategy*. The problem is not so much *how* to advertise, as *what* to advertise.

THE first job of sales managers with the assistance of their advertising men is to get initial approval of a broad company policy which definitely projects the load-building curve at such an angle as Mr. Lindseth suggests. With that done, the details of company plans should be programmed, prepared, and presented so carefully that their tactical recommendations become company policy.

We have in our industry the engineering tradition. Slide-rule calculations are fine for engineering, but they have only limited value in measuring

advertising results. Management must have the same confidence in the value of the advertising project as on a more definitely measurable program, whether it be sales training or tree trimming.

More dynamic load building means bigger advertising budgets. Maybe all that is necessary is to go to management and ask for the money needed for a bigger job, and, having gotten it, do the job. But it is not generally likely to be as simple as that. The young man who checks budgets is quite likely to say, "Here's a big increase over average." Then there will be a call to the front office.

My impression of the front office is that it is a pretty friendly spot, so long as you visit it on your own initiative. But it can become an unpleasant place when one is called in for cross-examination. In other words, close liaison is needed to secure constructive assistance from the sales executives, if the

SHOULD PUBLIC UTILITIES ADVERTISE?

advertising man is to sell his wares successfully at the top level.

IT is very important to prepare management, and the young man who checks budgets, too, for the fact that budgets must be increased for advertising and related activities—not slightly increased, but perhaps violently—if our load-building activity is to produce results matching Mr. Lindseth's forecasts.

To get such an increase means selling. After all, if residential customers are to increase their lighting 200 per cent, commercial customers to be persuaded successfully to add all the new available equipment, and industrial customers to make full use of electricity for power, heat treating, lighting, and processing, a lot more has to be done than ever before and our efforts cannot stop there.

We face the big job of helping to get municipalities to have first-class lighting, of getting county and other authorities to adopt highway lighting, and of convincing farmers that they can offset the drift away from rural occupations by electrifying their farms.

One trillion kilowatt hours annually is not just a moderate increase—it's a possible goal only if the market is persuaded to change its present ideas completely about how much electricity it needs for its comfort, convenience, safety, and profit. Alert management will sanction the broader intelligent use of advertising to achieve these results, and the alert advertising manager will sharpen the tools for management to use.

TOP management must satisfy three groups: stockholders, the

public, and employees. That is not always an easy task. Management takes account of operating statements, complaints, personnel, and other departmental reports, and ends up by balancing costs against past and probably future accomplishments—accomplishments in terms of the stockholders' interests, the public's reactions, and the employees' morale.

Lest I be put on the rack, I am not saying that management is parsimonious with the advertising functions of the business. That is not necessarily so. It may well be the advertising men are at least partially responsible. They must visualize their opportunities and make management see what's ahead.

We are about to enter a new era. We are getting ready for a period where we will be bumping into more determined competition for the consumer's dollar than ever before. We must expect an increasingly complex, difficult, and challenging job as we prepare the groundwork for intensive load building on all fronts. But there is no alternative, except stagnation. In an era of diminishing working hours of labor we must educate industry, commerce, and the family to take full advantage of the wonderful service the utility company has to sell.

Sometimes I suspect that we are in danger of becoming a bit ingrown in our thinking. There are many industries which have used advertising much more vigorously. They have been inspired by individual entrepreneurs who have invested their money in advertising, and won out. Then almost every competitor, seeing the way clearly, followed suit. Is there not a lesson for utility industry in this typically American story of advertising, publicity, and

PUBLIC UTILITIES FORTNIGHTLY

promotion in other industries? We can do that in clinics, in conventions, in our industry magazines, and by other means. Some convenience goods advertisers spend upwards of one-third of their revenue in advertising, and some industrial advertisers as little as one-half of one per cent. Where do *we* fit in this experience pattern?

A RECENT report issued by the Public Utilities Advertising Association shows that, among the electric companies reporting, the most expended, for all types of advertising in 1946, was only 1½ per cent of gross revenue. The least spent was less than one-third of one per cent. The average expenditure for the companies was just under three-quarters of one per cent of gross.

The majority of these companies indicate that they are increasing their advertising expenditures this current year by about 18 per cent—which means that the proportion of gross revenue expended will go up a slight fraction, *scarcely enough to offset the rising costs of advertising space and materials.*

We might well ask ourselves whether we are spending enough to undergird an aggressive load-building program and, in addition, to assure a favorable position for ourselves in the social and economic thinking of our public.

ONE further thought on the importance of utility advertising. If results are to be successfully achieved, advertising representatives in any com-

pany should have a major responsibility for shaping the policy decisions bearing on advertising, promotion, and publicity. They should be part of the general staff, responsible along with sales management for the long-haul strategic planning of this phase of their companies' activities.

They should be called in to the inner councils of their companies when long-term plans, related to load, public and government attitudes, and employee morale, are under discussion. It is only at this level that they can help executives raise the sights of our companies to long-haul opportunities and dangers. Of what good is defensive advertising? Of what good is apologetic publicity? Of what good is load-building promotion after the horse of favorable rates has been stolen by competing interests?

My feeling is that if our industry keeps itself very busy selling a lot more service to all our customers, it will be a vital, aggressive, hard-hitting business organization, where the very best of help in advertising, publicity, and promotion will be needed—help of a higher order than was ever furnished before because of the increasing difficulty to produce sharp increases as the market becomes reasonably well saturated. It will have to be the same kind of free-swinging advertising that has given pharmaceuticals and foods, soaps and cosmetics, gasolines and vitamin pills their consumer loyalty. Maybe, just for the laughs, we should read *The Hucksters* again! !

“GOVERNMENT assistance must not be perverted to support or foster inefficiency or incompetence, neither must government regulation be so stringent as to hamper the legitimate effort of private enterprise to develop a remunerative business.”—PRESIDENT'S ADVISORY COMMITTEE ON MERCHANT MARINE, November 15, 1947.



Utility Customers Are People —Talk to Them!

Public relations of a great utility organization has many facets and aspects. One rarely noticed method of making friends with the utility customer is the ordinary everyday letter to the customer. It is so easy for correspondence to slip into the dull impersonal groove of formal style.

By C. L. SULLIVAN*

WE hear a great deal about public relations for utilities these days, and properly so. Making the utility company a popular as well as a necessary part of the community is a demanding and continuous responsibility. It is a responsibility which has many facets of fulfillment. Employees and officials have their part to play through personal and official contacts. Company publicity, rates, community policy, and so forth are other natural aspects to be watched.

But there is one phase of every public utility operation which goes on, day after day, generating a tremendous capacity for good, bad, or indifferent relationship with the customers. Yet, judging by the amount of attention given to the subject, its rôle in making and keeping friends for the utility com-

pany is often either overlooked, or, perhaps worse, taken for granted.

I am referring to the ordinary letters or less formal communications which the utility company must exchange with its customers. How often have company officials undertaken a careful periodic check to see if the mere form of these communications is such as to make friends or otherwise?

The person who writes with a sense of personal contact has a better chance to make what he says interesting and convincing than the one who feels he is "writing letters." The good dictator says to his secretary, "Bring in your book, I want to *talk to this man* about paying his bill." Isn't this a better approach than to say, "Bring your book because I must *write a letter* to this customer?" The latter attitude would indicate that the writer stays in his own office, mentally, as well as physically.

* Superintendent, customers department, Peoples Gas Light & Coke Company, Chicago, Illinois.

PUBLIC UTILITIES FORTNIGHTLY

SUCCESSFUL letters are nearly always the result of this "talking" approach. In theory, the writer puts his thoughts on paper, then jumps into an envelope and travels to where the reader lives or works. The writer then pops out with a friendly hand clasp, ready to tell the customer why he should pay his past due bill, or give the utility company an order. Maybe it's just a friendly message of appreciation for your business, telling him the company likes him a lot as a customer. The language, in any event, is the same as if the customer was met walking along the street, or in his home, or at his office.

About nine years ago the executives in charge of customer relations in Peoples Gas Light & Coke Company decided that something should be done to improve letters to our customers. The first problem was to find the right kind of help. We solved this by sending several letter writers from the department to some of the universities and colleges in Chicago where courses in letter writing were being offered. These men were scouts with a double mission: first, to report back on the comparative value of these courses; second, to find out if a general college course had the practical approach to our type of business. The result was our decision that if the job were to be done right, it should be custom built to fit the need of our own business.

The next move to bring our letter writing up to date appeared to be the instruction of someone who knew what we needed, and how we could get it. We were extremely fortunate in obtaining the services of L. E. "Cy" Frailey, an outstanding national authority on business letters.

With Mr. Frailey selected to give a letter-writing course within the company, it was decided that there would be a 2-hour session each week for lectures and discussions. The first meetings were confined to an explanation of the general principles of good letter writing and their application to problems in our company. At each meeting carbon copies of the letters written the previous week by the various letter writers in this department were discussed, with no punches being pulled regarding corrections and criticisms. Some of the mistakes discussed were frequently made by all the members of the group. The criticism of Mr. Frailey, tactfully given, was well received. This fact uncovered a spirit in the group which demonstrated that "they could take it."

By the end of the first year, there was no longer any question about the improvement in the letters our company was sending to its customers. We began to cash in on our investment. For one thing, "repeat inquiries" from our customers decreased. Next, we started to receive complimentary letters in return. Here is a sample from a customer who was told in friendly terms about his account:

We received your letter of correction today and I suppose we could just let the matter drop.

However, we find that we must comment on the very friendly and personal touch the letter had—and it makes us feel so much nicer to think there are some people in business today who reserve their curt replies and general attitudes, strictly for themselves.

It would help business, and the world in general, if there were more people such as yourself in contact with the public.

When we reviewed our progress, we were gratified to find that not one person in the group of letter writers was

UTILITY CUSTOMERS ARE PEOPLE—TALK TO THEM!

doing a poor job. Many of them were outstanding, even though some of our people had not completed four years in high school.

Even so, the entire letter-improvement program was not dropped at that point. We were fearful there might be some backsliding. Therefore, it was decided to continue the weekly meetings and we have done so for the last eight years with the exception of the three warm summer months. Each week carbons of letters written the previous week, which have been examined, corrected, and given a thorough treatment by Mr. Frailey, are discussed in a meeting of the letter writers. This weekly get-together lasts for one hour.

When normal turnover of personnel introduced a group of employees who had not had the early lectures on letter writing, the original course was repeated for this group in a concentrated form of several full-day sessions. We now have all of our letter writers thoroughly schooled in the basic principles of good letter writing. Judging by the results accomplished, we consider the investment worth many times the cost and effort. We now have a staff of letter writers who have learned to relax—just *talk* when they write letters.

THE important thing stressed is that the person receiving the letter is a human being. No matter how well worded a letter is, if it lacks "human

touch" it simply will not click. By human touch is meant that the warmth and naturalness of the letter writer's personality should find their way into the letter. Closely allied to this factor is the friendliness that should run all the way through every letter.

In developing the human touch in letters, gushing is strictly taboo. Lincoln was right about the people's common sense over the long run. They soon sense insincerity.

But there are certain personal touches which can be ventured tactfully and without presumption. When a customer writes about sickness, death, birth, success, or moving to a new home, he supplies good hooks upon which the letter writer can hang his hat as he calls (by means of his letter) to talk with the customer. We try to remember that these little personal things mentioned in the customer's letter are important to him—so we take time to talk about them in our reply.

How did the cold, forbidding formal style of business letters ever develop in the first place? The reason is probably historical. In the early days of our country, letters were used mostly for formal purposes. It didn't matter much how the letter was written. The substance was the important thing. Unfamiliarity and suspicion of the written words were widespread in the days of quill pens. It was not surprising that our ancestors took refuge in safe and



Q "No matter how well worded a letter is, if it lacks 'human touch' it simply will not click. By human touch is meant that the warmth and naturalness of the letter writer's personality should find their way into the letter. Closely allied to this factor is the friendliness that should run all the way through every letter."

PUBLIC UTILITIES FORTNIGHTLY

tried formal language. Even now, with all the changes in business and the high degree of efficiency developed in it, there are some who still cling to the old-style letter writing.

Today, most of the old customs have vanished. Men no longer wear knee pants, silver-buckled shoes, or powdered wigs. This is the age of sport shirts, sweaters, slacks, and 2-piece bathing suits—and a host of inventions which tend to break down class distinctions and bring people together on a basis of free and easy living. People are expected to be natural—in dress, in speech, in all other human relationships. With all these changes, one would scarcely expect to find some businessmen still using the language of long ago in their letters. Yet, here are some sentences taken from carbon copies of letters mailed recently from the office of a large company:

We herewith take the liberty of acknowledging your letter of recent date

Attached hereto, you will please find same
Thanking you very kindly, we beg to remain

In reply to your letter of the twenty-first instance, we wish to state

Trusting you will be in a position to do same, we are

Your favor has duly come to hand, and we beg to advise

NO writer can possibly talk in a friendly, natural way with such stiff-shirt language. True personality is hidden. Such colorless word combinations—barriers which keep the writer and the reader utterly apart—are known in our departments as “whiskers.”

Common sense tells us we should do nothing to interfere with the chief objectives of business; namely, to win public acceptance, cultivate good will, sell goods, and make a profit. “Whisk-

ers” submerge these objectives. They make difficult the job that should be easy. Businessmen when queried on this point are likely to agree. Yet, here are a few more samples, from which, for obvious reasons, the source and names have been omitted:

We wish to advise consideration would not be in order at the present time. We crave your indulgence in this respect, and regret our inability to authorize gratis replacement in this instance. (From the desk of an executive in the automobile industry.)

We beg to acknowledge receipt of your favor of twenty-first instance, and in replying have pleasure in begging to advise your order has been duly shipped. (Signed by the vice president of a large corporation.)

We have, therefore, checked and approved same and are returning herewith one copy to you, and are retaining the other and oblige. (A purchasing agent claims it.)

The best business letter writers use short words. Think of the fine speeches you have heard, the convincing advertising you have seen, and the good letters you have read. It was the goodly number of short words that made all of them effective. Abraham Lincoln's Gettysburg oration contained just 268 words. Only 20 words in the entire speech had more than two syllables and 196 of them had only one syllable. On that day in Gettysburg, Lincoln's use of one-syllable words was almost 75 per cent—nearly 3 words out of every 4.

ANOTHER very important part of this good letter-writing business is to maintain friendly interest in the other fellow. This is easy when the other fellow is friendly and the letter is a “yes” letter—one favorable to him. But it is quite another story when the letter has to be a “no” letter to a stranger. This causes a fear in the writer that the reader will be angry. There results an emotional tendency to

UTILITY CUSTOMERS ARE PEOPLE—TALK TO THEM!



Letter Writing in the Early Days

"In the early days of our country, letters were used mostly for formal purposes. It didn't matter much how the letter was written. The substance was the important thing. Unfamiliarity and suspicion of the written words were widespread in the days of quill pens. It was not surprising that our ancestors took refuge in safe and tried formal language."

tighten up. The product is likely to be a stilted letter.

Here is an example of keeping a friendly interest in the other fellow and at the same time selling the company. Not so long ago, a businessman had written an officer of our company for an interview. To explain why the interview could not be had immediately, the executive's secretary sent the following reply:

You will be interested to know that gas service is something more than the geographical boundaries of a city, county, or a state. Mr. Doe is at the American Gas Association laboratory in Cleveland in connection with a problem affecting all users of gas equipment in this country. Just as soon as he returns I will show him your letter and he will reply personally, I am sure.

Here was a sharp secretary who was more than that—she was a salesman not only for our company but for the gas industry. She seized the opportunity to sell a possible customer on our company and the entire industry. Yes, this was a routine matter she was writing about, but she took time to get

out of the "groove." She sold as well as told. She sold good will for her boss in his absence.

Contrast the alertness of this secretary with that of another letter writer as described in "Smooth Sailing Letters." Some years ago a man inherited a watch which had been his great-grandfather's. The watch was quite thick and cumbersome but, to the new owner's utter amazement, it kept perfect time. To find out how old the watch was, he decided to write the company that had manufactured it. Here is the reply he received:

In response to your kind inquiry regarding movement 26402627X, we wish to advise that our records show date of manufacture was July, 1886. We note your appreciation of our product, and trust this information will be of some interest to you.

This letter was not only couched in stiff and forbidding language; the writer apparently didn't realize that his company manufactured watches! He talked about a "movement"—not a watch. He also referred to it as a

PUBLIC UTILITIES FORTNIGHTLY

"product"! Was he ashamed to admit his company made plain, simple watches? Was there anything wrong with the ordinary name of the thing produced?

ONE more important factor uncovered by our letter-writing program is the dangers of what we nicknamed "red pepper words." The general tone of a letter can be quite friendly but suddenly a word or phrase creeps in that makes the customer fairly boil. A fairly common one is the expression "*you failed*." No normal person likes to be told he "failed." Certainly officials of a large company do not care to admit they "failed" to do this or that.

Generally, a simple touch makes all the difference in the world. Instead of telling the customer: "*You failed* to tell us at what address you are using our service."—our present approach is something like this: "Before we can check your account, Mr. Doe, we need to know the address at which the service was used. You see our customer records (nearly a million of them) are kept in street name and number order. Just as soon as we hear from you, we shall be glad to give you the information you requested."

Another red pepper word is the categorical imperative "*must*." If a customer's service has been discontinued for nonpayment of bills and he wants to know how much is to be paid before the service can be restored, he can be irritated as follows: "*You must* pay the outstanding bills which amount to \$14.65 before the service will be turned on for you." Or, he can be soothed a bit like this: "Just as soon as we receive your payment for \$14.65,

we shall be glad to restore the service."

Here are a few other red pepper words which we have found do not promote a spirit of friendliness. They certainly will not "sell as well as tell!"

You *should know* we cannot continue to supply gas unless you pay your bills. (The customer is ignorant.)

Why do you continue to *ignore* our letters about your account? (He's careless.)

We have your *complaint* about the December bill. (He is a complainer.)

May we at least have the *courtesy* of a reply. (He is not courteous.)

We have your letter in which you *claim* to have mailed us a cash payment. (He is perhaps not telling the truth.)

It is easy to put red pepper in a letter without meaning to do so. The protection is to keep the letter on the basis of a conversation with a casual friend. With that mental approach, the red pepper words do not even suggest themselves.

FINALLY, here are a few suggestions we have found useful in our letter-writing program. (One might be tempted to call this a "list of do's and don't's"; but that would be strictly red pepper.)

1. A successful letter writer generally *likes* people.

2. He also strives to believe what he writes, to be sincere.

3. He writes as he would talk—face to face.

4. He is not afraid to let a little personality get into his letter.

5. But he's tactful enough not to gush or overdo.

6. He uses plain language, words the customer will readily understand.

7. He carefully avoids any hint of impatience or sarcasm—red pepper.

8. He answers all of the questions the customer asks.

9. He does not let routine slip him into the habit of stilted form—the letters are all original when possible.

10. He tries to sustain interest from the start to the end of the letter.

11. He periodically reviews his letters as a good-will builder for his company.

UTILITY CUSTOMERS ARE PEOPLE—TALK TO THEM!

12. When once he recognizes that a letter fails to meet his usual standard, he will take the extra time and effort to tear it up and write another.

All of these twelve points could,

perhaps, be boiled down to just a single sentence which is the title of this article and a good slogan for any utility company letter writer, "Utility Customers Are People—Talk to Them!"

Private Enterprise Is a Public Trust

"LIKE the free press, which is not the exclusive possession of publishers but belongs to the people as a whole as a constitutional protection against tyranny and oppression, the free enterprise system is not the private property of businessmen but is a birthright of the American people as a safeguard against forced labor and confiscation of the rewards of labor. . . .

"Observation shows that economic life, just as the political and the social, also has a basic rhythm of its own. The texture of American business and industrial life in its flourishing periods has been marked by a rhythmic pattern in which a strong and steady pulse and an extremely fast tempo of production have been outstanding characteristics. . . .

"The real menace, it has become clear, is the deterioration of the American standard of living due to shortages of necessary goods, poor quality of much of the goods available, high prices, and diminishing value of money. As set up and administered in Washington since VJ-Day, government controls have worked to increase inflationary pressures and speed up the movement of the boom-bust cycle with potential deflationary dangers. . . .

"The attempt to run the economic system by government decree can be seen now, in the light of actual experience, to have been retrogression rather than progress. Just as much of modern music has turned backward to primitive and medieval forms, so Russian Communism, the last word in controls, can be seen, not as its pretended extension of the French and American revolutions widening the opportunity of the common man, but actually as the first of the great counterrevolutions, which has outlived its chief imitators and rivals, in taking mankind back on the reactionary road of subjection to absolutism in government and a depressed standard of living.

"If this lesson has been learned, a great opportunity lies ahead for the American system. . . . That is to say, if the government will drop all controls that interfere with production, and if management and labor will cooperate to prevent further strikes, slow-downs, and inflation of the wage-price structure, and to stimulate productivity, mass production, and competition can easily turn out a sufficient flow of production at low enough unit costs to halt the inflationary trend, forestall deflation, and return the country to the traditional American pattern of abundance."

—RUSSELL PORTER,
Writing in *The New York Times*.



The Plight of Labor under Totalitarianism

The myth of totalitarian efficiency in the handling of labor relations has been pretty well exploded by a comparison of living standards for average workers here and abroad. Here is an analysis of what totalitarian rule really means to the workingman, including the utility worker.

By WILLIAM B. SMITH*

UTILITY employment inevitably has been a prime target of the totalitarian approach to government control. A century ago, the Communist Manifest of 1848 by Marx and Engels emphasized the major importance of organizing transport and communications workers as a prerequisite to the success of the "revolution." When the Nazi hordes invaded Norway and other western European countries in 1940 it was invariably the radio station, telephone and telegraph services, electric power, and railway stations, which first re-

vealed the hated presence of the "fifth column." It is no accident that subversive elements have made their most persistent efforts to intrude into control of our own American labor movements, in certain vitally essential lines such as transport and other utility services.

It is because of this historical importance of workers engaged in essential public utility services that the propaganda for totalitarian control has been so often aimed in their direction. By the same token, it is all the more important that utility workers in the United States and other free democracies become fortified in the knowledge of what totalitarianism

* Former U. S. Labor Department official, now professional writer of business and economic articles, residing in Arlington, Virginia.

THE PLIGHT OF LABOR UNDER TOTALITARIANISM

would really mean to them in terms of earning power, job security, and other working conditions if a slave state government ever succeeded in establishing itself. In other words, utility workers have a special stake in the knowledge of what a totalitarian government does to its workers, because they are and always will be the prime targets for false propaganda to the contrary.

PROBABLY the outstanding myth of totalitarian government operation is that it is somehow more efficient. "After all, Mussolini did make the trains run on time," was the old cliché by which even American prewar tourists compromised with the first stronghold of Fascism. Is it true? Did Dr. Goebbels' repeated story of Nazi efficiency ever become justified in fact? Did ruthless dictatorship ever get better results?

This grudging respect for dictatorial efficiency persisted long after Pearl Harbor—until the weight of America's industrial power spread across the seven seas, carrying victory with it. Our country, supposedly grown fat and soft in the arms of freedom, gave the world a demonstration of industrial and military power that is unique in history. And we also kept the great framework of our constitutional freedoms intact. We not only had guns and butter, we had guns and liberty.

Looking at much of the world today, it might seem as if our example had been largely forgotten. Certainly there is a strange new alignment of forces which appears to range the nations into hostile groups — for and against the concepts of individual liberty and democratic government that

we in America believe in. Actually, of course, the case is not so simple for there are many complicating factors and cross currents in today's world picture.

But it does remain true that a so-called war of ideologies—a cold war—is taking place.

Viewed from the plateau of American living standards and civil liberties, it is a strange struggle. The first question that comes to mind is this—what does the other side have to offer? What possible inducements can an economic and political dictatorship hold out, especially to countries that enjoyed moderately decent living standards before the last war?

EVEN granting the fearful determination that accompanied World War II and the lowered living standards of most countries today, there is no visible evidence that dictatorship has any tangible benefits to offer its victims. On the contrary, signs are multiplying that life grows harsher in the very countries where free enterprise grows weaker.

Of course, it would be manifestly unfair to compare the levels of living here in the United States and those of other countries ravaged by war. But it is worth noting that since 1939 we have experienced a marked upward trend in living standards, despite the scope of our war effort. And we have moved closer to the kind of economic balance that puts more goods and services in the hands of wage and salaried workers—by far the largest segment of the buying public.

The best quick measure of this improvement is the movement of "real" weekly earnings for factory workers

PUBLIC UTILITIES FORTNIGHTLY

which showed an increase of some 30 per cent between 1939 and 1947. Though higher taxes reduced this gain somewhat, there is no doubt that American workers enjoy higher living standards now than they did in 1939.

The above figure is derived from the U. S. Bureau of Labor Statistics. For a variety of reasons, including the "Iron Curtain," no such comprehensive picture of wages, hours, and living costs is available in countries subject to dictatorship. Their governments either do not have accurate figures or they are reluctant to release them.

Could it be that accurate figures would destroy another myth which dictators always put forth? Namely, the fiction that the great mass of people will fare much better under the new "ism"?

Whatever the reasons, it is not possible to get together an accurate roundup of wage-price figures which would show what has happened to living

standards in countries that have felt the grip of totalitarian control. But it is possible to cite a good deal of material that indicates how the wind is blowing. It is a harsh, raw wind, particularly for the great mass of workers—the very people that dictatorships claim to protect.

A GREAT deal of publicity has attended the recent Russian decree which devalued the ruble and ended rationing. But it is difficult to say just what this will do to Russian living standards, already terribly low by comparison with our own or most European standards.

Not long ago, the U. S. Bureau of Labor Statistics presented some very interesting figures on wage and price trends in the Soviet Union. This glimpse behind the Iron Curtain—based on material gathered by U. S. government agencies—sheds a good deal of light on actual living conditions in the USSR.



TABLE I
COMMERCIAL STORE AND RATION PRICES IN MOSCOW FOR
SELECTED MANUFACTURED CONSUMERS' ITEMS

<i>Class and Item</i>	<i>Commercial Price</i>	<i>Ration Price</i>
<i>Men's Wear</i>		
Suit	3,000	800
Shoes	1,700	270
Socks	45	8.25
Shirt	300	60
Overcoat	5,050	1,000
<i>Women's Wear</i>		
Suit	2,000-3,000	360-400
Dress	1,460	375
Silk Stockings	100	33
Coat	2,600	715
Shoes	1,700	275
Wool Worsted	950	187
Linen Cloth	50	13
Sheet (Linen)	350	50
Hotplate	130	120
Radio	1,700	1,700
Dinner Service	2,600	951

THE PLIGHT OF LABOR UNDER TOTALITARIANISM

As of January, 1947, "Ivan the Typical" could buy the food his ration card allowed him for about 280 rubles monthly—provided he could find it at rationed prices. Here are some of the main items on Ivan's monthly menu of rationed foods—and, thanks to the peculiarities of the Russian marketing system, rationed foods made up the average worker's staff of life.

Ivan's ration card included these items each month: 4.4 pounds of grits, not quite 5 pounds of meat and fish, less than 2 pounds of fats, 2 pounds of sugar, plenty of salt, and a pinch of tea—plus a 22-ounce loaf of bread each day.

That was the allowance for a "heavy worker." Others got shorter rations. And any dependents which Ivan may have had fared still worse—but even children got the full quota of tea and salt!

Of course, Ivan and his family could get more—if he had the price. He could go to one of the so-called "commercial stores" and pay from three to ten times the rationed price. Or they could have gone shopping at one of the "free markets" where farmers sold goods which remained after they had met their quotas on collective farm deliveries. But there, too, the family needed plenty of rubles—80 for one frying chicken, 20 for a single litre of milk.

THESE are terrific prices when compared to the Soviet worker's average monthly wage of approximately 500 rubles. Food prices are high in the USA, but imagine paying more than half a week's wages to get a frying chicken!

The picture was equally grim apart

from food. If Ivan the Typical had wanted to tighten his belt he might have given Olga a pair of silk stockings for her birthday. They cost only 33 rubles provided he could find them at the rationed price, in a "commercial store." The price was 100 rubles—nearly a week's wages.

Most statistics make dull reading, but there is an unforgettable human story behind the figures in Table I. Especially when we remember that average wage of 500 rubles a month.

While it is impossible to forecast the actual effect of ruble devaluation on Soviet living standards, it is obvious, since wages remain unchanged, that Russian workers and Russian families dependent on wages will have little left for a rainy day.

None of the available figures deal specifically with utility workers in the USSR, but there is no reason to suppose that their situation is markedly better than average.

Now let us turn to some other countries which have felt the impact of dictatorship in varying degrees. Once again, the figures are far from complete, but they do shed some light on living conditions.

Here are some facts about Hungary, gleaned from the annual *Economic Review* of the American Legation for 1946. In September, 1946, the price level was set at a new level, higher in relation to 1938 than the level of wages and salaries, so imposing a lowered standard of living on the population. Standards were further reduced by the continuing shortage of consumer goods.

WORKERS' salaries were set at a level designed to provide one-

PUBLIC UTILITIES FORTNIGHTLY



TABLE II
EXPENDITURE IN MAN-HOURS REQUIRED FOR PURCHASE OF
SELECTED COMMODITIES

<i>Article</i>	<i>1938</i>	<i>December, 1946</i>
1 Kg. of meat*	3.54 man-hours	5.50 man-hours
1 Kg. of fat	2.62 man-hours	8.52 man-hours
1 Kg. of butter	4.38 man-hours	22.78 man-hours
1 Kg. of bread	0.54 man-hours	0.85 man-hours
1 Pair of shoes	28.42 man-hours	117.90 man-hours
1 Kg. of potatoes	0.15 man-hours	0.36 man-hours
1 Suit	115.30 man-hours	328.33 man-hours

*1 kilogram equals about 2-2/10 pounds.

half of the 1938 purchasing power for 75 per cent output. Bonuses for extra efficiency made it possible for a worker to earn enough to provide about 60 to 70 per cent of his prewar standard of living. But real wages for white collar workers and government employees were much smaller and few of this group attained half their prewar living standard!

This situation is reflected in the table above.

Of course these figures and the story they tell cannot be charged entirely to the inefficiencies of dictatorship. The impact of war and partial crop failures handicapped many European countries. But certainly there is nothing in the picture so far to indicate that totalitarian controls contribute to the general welfare — quite the contrary.

In Austria the cost of living, as measured by the index for Vienna, rose from 100 in 1937 to 318 in July, 1947.

Earnings did not keep pace. In Bulgaria the index shot up from 100 in 1939 to 631 in July, 1947. And, of course, observers in both countries report a marked decline in levels of living.

Inflation, an almost inevitable aftermath of war, has posed terrific problems for nations the world over and it may be years before we can accurately determine the effects in different lands. But, even on the basis of the meager evidence now available, there is nothing in the record to support the view that totalitarian states have found acceptable answers in terms of economic or human welfare. The best they seem to offer is a choice of hardships.

THE American wage earner, despite his complaint about the high cost of living, knows that his standard of living is the highest in the world. Sitting in his warm home during the

THE PLIGHT OF LABOR UNDER TOTALITARIANISM

winter months, he can indeed consider himself fortunate when he thinks of his European counterpart.

He knows that when he goes to the polls he can vote by secret ballot for the candidate of his choice. He can say or read what he likes. He and his co-workers are free to talk with their employer about such things as wages and working conditions. For they are

dealing with individuals rather than with a totalitarian government as an employer.

The American worker also knows that with this freedom, both economic and political, has come a living standard such as the people of the dictatorship countries had never even dreamed of despite the utopian promises of their governments.

Sour Fruits

“WRITING in the OREGON VOTER, Ralph T. Moore expressed a thought that is in the minds of a great many people when he observed that the policy of ‘abruptly halting private power expansion in the face of rapidly growing demand is questionable to say the least. We have been placed at the mercy of eastern Congressmen who naturally oppose large expenditures of tax money, a major part of which is contributed by their constituents, for purposes yielding only minor benefits to themselves.’

“Hindsight is easier than foresight, but, even so, the people of the West should have anticipated this situation when the Federal policy of socializing the electric resources of the country came into being in the early Thirties. To make a bad matter worse, a number of western states, notably Oregon and Washington, passed laws which became an additional barrier to the expansion of the private utility industry. Now the West finds itself dependent on the national capital for power development instead of on its own citizens and industries. It has given hostages to fortune, and it is reaping the sour fruits.

“That is a splendid object lesson for other regions of the United States, notably the Southwest and the Missouri valley, where new and enormously costly Federal power ‘authorities’ are being urged. This country and its industries were built by individuals with local pride, local money, and local control over local resources of every kind. It wasn’t built by running to the Federal government, hat in hand, every time a community wanted money for local improvement or industrial development. And it wasn’t built by politics and bureaucracy.

“The solution to the West’s power problem is to get the government out of the electric business and let private enterprise do the job. And the rest of the country can save itself from the same problem by keeping the government out of business.”

—EXCERPT from Industrial News Review.



Washington and the Utilities

Truman—Wide, Around Left End

THE political rail birds, who are nestling this year in Washington almost as thickly as the starlings along Pennsylvania avenue, seem to be in general agreement that the Democratic strategy for 1948 is going to be—Truman carrying the ball around left end. There have been hints of this in a series of events leading up to the formal apostasy of Henry A. Wallace. But the annual message to Congress on the state of the Union set the pattern too clearly for even the most bemused observer to miss.

In plain words, the President will take the lead in carrying forward all the major objectives of the New Deal, brought down to date with a fresh application of political razzle-dazzle. Viewed disinterestedly, this would seem to be sound procedure for this administration, in a presidential election year, under the prevailing circumstances. It seems to be based on the premise that every additional vote attracted from the left would be a vote subtracted from the Wallace movement—with the hope that the latter might wither away to what Grover Cleveland used to call "innocuous desuetude." The corollary to this strategy is that the Democrats have about given up hope of attracting conservative support outside of the solid South and perhaps a lucky break in border territory.

PURSUING the football analogy a bit further, the GOP diagnosis of this play seems to result in a vigorous attempt to nail "Halfback Harry" behind the line of scrimmage. In other words, few of the President's proposals—aside from less controversial foreign issues—will push

an inch through Congress without plenty of blocking and tackling. Senator Taft (Republican, Ohio) set the model of the GOP leadership when he went on the air, one day after the President's message, and did his best to throw the Truman "\$40 tax credit" for a loss, accusing the President of taking a "Santa Claus approach" that would inevitably lead to "national bankruptcy." Taft threw facts and figures at the President's tax reduction proposal in an effort to brand it as crude political claptrap which the President knows would not work even if it were approved.

Public utilities have a definite stake in all this precampaign skirmishing. Three possibilities of immediate interest to the utilities emerge: (1) The administration is now openly committed not only to extensive public power developments, à la TVA, but also to Federal competition with the private electric utility industry in the transmission phase of public power operations. This may not seem very novel to close observers of the Washington scene, but it is now by way of being made a Democratic campaign issue. (2) In the sound and fury over the battle of personal income tax reductions by the Republicans and Democrats, there is danger that the oppressive special excise taxes on public utilities will not get the attention they deserve. (3) The collision between the two major parties this early in the year bodes ill for very much accomplishment by way of regulatory legislation in the pending congressional session. In fact, the general left-wing direction of the administration is viewed as likely to produce a pronounced antiutility tone, from the White House, in any controversy with Congress involving privately

WASHINGTON AND THE UTILITIES

owned and operated public service.

Evidence of President Truman's reaffirmation of the administration's faith in public power was seen in that section of his address dealing with natural resources:

We must continue to erect multiple-purpose dams on our great rivers—not only to reclaim land, but also to prevent floods, to extend our inland waterways, and to provide hydroelectric power.

This public power must not be monopolized for private gain. Only through well-established policies of transmitting power directly to its market and thus encouraging widespread use at low rates can the Federal government assure the people of their full share of its benefits.

Additional power—public and private—is needed to raise the ceilings now imposed by power shortages on industrial and agricultural development.

We should achieve the wise use of resources through the integrated development of our great river basins. We can learn much from our Tennessee valley experience. We should no longer delay in applying the lessons of that vast undertaking to our other great river basins.

ALTHOUGH it is not likely to become an issue because of its popularity in Republican areas, Truman also gave his benediction to farm coöperatives, including REA co-ops, as follows:

We also need to improve the means for getting farm products into the markets and into the hands of consumers. Coöperatives which directly or indirectly serve this purpose must be encouraged—not discouraged. . . .

We need to go forward with the rural electrification program to bring the benefits of electricity to all our farm population.

Elsewhere, all along the line, the President's address followed the drive to the left. He did not actually ask for repeal of the Taft-Hartley Act, but said he didn't think any more of it than he did the day he vetoed it, which amounts to about the same thing. He advocated raising the minimum wage from 40 to 75 cents an hour, national health insurance, extension of social security benefits, Federal aid to education, and Federal aid to low-income housing. We must do more for the farmer.

All in all, although the President's mes-

sage was evidently assembled like grandma's crazy quilt—a swatch from this source and a swatch from that source—it seems to boil down to something for everybody who has a vote. How about corporations? The President had something for them too—a proposed increase in their Federal tax burden of \$3,200,000,000 to offset the \$40-a-head “cost of living” tax credit for the mass voters. What this seems to boil down to is recognition of the fact that corporations do not have a vote.

Thunder over Interior

SPEAKING of football strategy, one would think that Cap Krug, who used to be such a tower of strength in the University of Wisconsin line in his college days, could function pretty well, allegorically speaking, as left tackle on the administration's new line-up for the campaign of '48. But clouds continue to pile up over the Interior Department, and especially over the Reclamation Bureau.

As for Secretary Krug himself, the rumor simply will not down that the President may have some changes to make in this department before the campaign gets well under way. This has been denied at both the White House and at the Interior Department; but there you are. Such rumors generally are denied before they become a fact, although it must be said that Cap Krug has ridden out the storm over the Pauley gossip pretty well, to date.

Reclamation Commissioner Michael Straus and some of his associates seemed to be the principal targets of congressional criticism as the session opened. A coalition of Senate Republicans and Democrats keeps sniping at Straus and company for charges ranging from “presumptuous planning to spend money the bureau did not have” to “defiance of Congress.” This is not to intimate that there will be as much reduction in Reclamation's budget as last year. On the contrary, no matter what happens to Krug, Straus, or anybody else on the Interior payroll, Reclamation's budget will stay pretty high.

PUBLIC UTILITIES FORTNIGHTLY

BUT because of the bipartisan nature of the criticism (several prominent Democrats have entered the list of opponents), continuation of the present set-up would mean that the administration would have to go into a campaign year with bad blood in its own ranks. So, despite counterpressure from left-wing sources to have President Truman keep the "Straus crowd" in office to implement his left-wing policies, party stalwarts are fretting that "they are expendable." In other words, the criticism of the group is more than ideological.

One criticism of Interior which may be ideological but has nothing to do with public power policies is the storm over Assistant Secretary C. Girard Davidson's memorandum about President Truman's own loyalty program. Davidson insists that nobody should be removed or shifted from Federal service on suspicion of loyalty without opportunity to confront his or her accusers. But this, the President's loyalty board has insisted, would invade the province of national security. Secretary Krug's office hastily disavowed Davidson's memorandum as an expression of personal opinion.

But that did not put out a grass fire of hostile editorial criticism from the anti-Russian press. It seems a good bet that even if Krug and Straus should happen to survive, Davidson won't.

End Use Again

NOW that the fears of the Federal Power Commission's ambitions to control the end use of natural gas have been allayed, temporarily at least, the same bugaboo seems to be bobbing up on the intrastate sector, from the gas industry viewpoint. This was seen in the request forwarded to the New York state legislature from the public service commission for emergency legislation to give the New York board authority to determine how gas and electricity should be distributed by utilities during times of shortage. Incidentally, this seems to be the first time that the electric industry finds itself invited into the controversy.

Of course, it is still a proposal, covered by the protective coloration of "emergency power." But industry men in the gas field are wondering just where to set up the defenses, if any. It was easy enough to raise a plausible opposition to FPC activity along this line, on the grounds that such matters were within the domain of state regulation, but what can be said if, as, and when, a state proceeds to regulate? It would then seem to be necessary to fall back to another plausible position that the industry is in the best position to control the use of its services along lines that will give the best results in terms of volume, income, stability of supply, and so forth. In other words, control of customer use is a prerequisite of management.

And so it is. And so it is. Nobody in authority has yet denied it. But more nervous souls of the industry see a thin entering wedge in the form of "emergency allocation." If a gas company can be told to serve customers over here instead of over there, during a period of emergency, is this not a possible setting for the day when it will be told to serve over here, instead of over there, for purposes of conserving natural resources, equalizing social and economic opportunities, and so forth? Whoever would have thought ten years ago that the ICC would be fixing railroad freight rates on the basis of offsetting the historic economic discrimination those damn-yankee rascals have been practicing, suh, on dear old Dixie?

THE New York commission's recommendations were part of a report prepared by order of the New York legislature following the widespread gas shortage in the Rockland-Nassau-Suffolk area during the heating season a year ago. The gas utilities then found it difficult to keep pace with the greatly increased demand. Just what the New York legislature will do with this request was being followed with interest in both gas and electric circles.

Incidentally, Burton Behling's reapointment to the FPC should spur the gas report.

Exchange Calls And Gossip



Double Trouble in the Spring?

THE first step in the 1948 bartering program of the Communications Workers of America (CWA) is being taken in Washington at a meeting of the bargaining committee for the union. The session which started on January 19th is expected to determine how much of a wage increase will be asked at contract time in April, when the various contracts between Bell system companies and the union expire.

The union bargaining program is likely to follow the steps taken by the National Federation of Telephone Workers early in 1947, which culminated in the 5-week nation-wide telephone strike. Although early estimates of the size of the wage increase to be sought in other industries ranged between 10 and 20 cents an hour, there was some possibility that CWA demands would be higher. This sprang from the fact that CWA for the first time has a strong rival in the telephone union field in the CIO's Telephone Workers Organizing Committee. This group has had some success already in weaning away members from the CWA, with the help of the argument that the CIO's national treasury would be available to support well-organized walkouts, whereas CWA nearly went broke in carrying on its 1947 strike. CWA may be tempted to seek a little more money from management this year to offset rival demands of the CIO.

CWA will go into its 1948 strike crises without the services and strength of its two major nation-wide units, those representing the Long Lines operators and the Western Electric installers. These

two units were the backbone of CWA's claim to nation-wide representation last year. Both units have now gone over to the CIO. As a result CWA, representing 233,000 phone workers across the country, has only local and regional divisions to fight its major battles and has no national unit to spearhead its wage drives. The CWA union structure is now organized to deal with management at top level, but it may find itself in a position where only regional settlements will be offered by the Bell companies. So far the CIO telephone unions have made no statement about their 1948 wage intentions. They are expected to go along with a CWA strike without assuming the leading position in bargaining negotiations. The interunion jockeying for strike leadership between the CWA and the CIO-TWOC will be interesting to watch, because it may tip the hand of telephone labor as to whether the whole industry will go under the aegis of CIO or whether it will remain independent.

Meanwhile, the possibility of a concurrent telegraph strike in April has not abated. The 3-man panel hearing testimony as to the "wage-profit relationship" provision of the Western Union-AFL contract began on January 6th. First to appear were the three telegraph unions—the Telegraph Workers Union, the Telegraph Employees Union, and the Commercial Telegraphers Union. Closed sessions of the fact-finding panel are likely to continue weekly until the deadline for the board's determination is reached on February 9th, following determination of the proper "wage-profit relationship," which will be the basis for new wage negotiations. Further company-union conferences are likely, with addi-

PUBLIC UTILITIES FORTNIGHTLY

tional Federal efforts considered necessary later this spring.

INCIDENTALLY, a new factor is appearing in utility union disputes which may have considerable bearing on their early settlement. That factor is the new state antiutility strike laws which are now in effect in some 10 states. Just before the threatened Christmas telegraph strike was called off, local labor leaders expressed "reluctance" to defy state laws which would have been broken by a strike.

It appears that in many cases union members who are asked to strike will be caught between two fires in allegiance to their national union leaders' orders and the law of their state. In Virginia, for instance, Governor Tuck told strike leaders that the state would step in and require a 5-week "cooling off" period before any strike could be called. To counter the governor's move, state union leaders were making plans to seek court intervention restraining the state from interfering with the Western Union strike. Litigation was avoided when the strike was postponed pending the determination of the fact-finding board.

White-Wolverton Bill Moves Slowly

CAN the Federal Communications Commission (FCC) "censor" radio broadcasts? The answer to this question appeared to hold the key to eventual success of the White-Wolverton Bill (S 1333). The revised version of the bill apparently sat much better with the radio industry than the original, but the "joker" which allows FCC to pass on "program content" of radio stations before renewing their licenses still appeared to have the broadcasting industry solidly opposed to the measure. Another important factor is the health of Senator White (Republican, Maine), who has been ailing. His prolonged absence would most likely slow down the bill's progress. Action on the bill in the Senate was ex-

pected late this month with both broadcasters and commission experts due to comment on the revised bill.

Meanwhile, the refusal of both Indiana Senators to oppose the nomination of Wayne Coy as chairman of the FCC made his eventual approval by the Senate a virtual certainty. Confirmation of Republican George E. Sterling was taken for granted. There still will be some agitation for a full-scale FCC investigation but it is probably intended now as a threat to keep the FCC and its members in line this election year.

New Commission Rulings

THE FCC on January 7th adopted an order postponing until March 1, 1948, the effective date of the commission's order regarding the use of recording devices on telephone equipment. This recording order, issued November 26, 1947, OK'd the use of the recording device as long as it was equipped with a warning tone, so that both parties were aware that the conversation was being recorded. The order was to take effect January 15th, but the petitions and replies from both recording device manufacturers and telephone companies have been so voluminous that a delay was necessary. Telephone companies are under obligation to advertise the availability of recording service widely, and also will have the job of doing the installation work necessary to attach the devices to the phones.

The Bell system companies filed a petition asking modification of the commission's order. They suggested three changes: (1) permit the warning tone device to be both installed and maintained by the telephone company; (2) lengthen the frequency of the warning from every twelve to fifteen seconds, to every twelve to eighteen seconds; (3) allow forty-five days from the date of commission action on the petition before the modified order takes effect, to give the companies time to revise their exchange, interstate, and intrastate toll service tariffs.

EXCHANGE CALLS AND GOSSIP

THE Dictaphone Corporation replied to the Bell petition with one of its own, asking that FCC take no action on the modification request until (1) Bell system companies outline their methods of assuring that the devices they install will not be used for listening in on telephone conversations; (2) Bell companies file statements of the charges for recording services they intend to impose on users; (3) Bell companies clarify their methods of complying with FCC insistence on "reasonable arrangements for sale demonstrations of telephone recordings by recorder organizations."

On January 12th the United States Independent Telephone Association notified the FCC that independent telephone companies do not now provide, nor do they plan to put into effect, tone warning signals to indicate that a third person may be listening in on his telephone conversation. It is believed that the Bell companies endorse the same point of view. At the commission's request, AT&T advised on January 5, 1948, that it expected to make an initial charge of \$5 for the combined tone warning and connecting device, with a monthly rate of \$3 thereafter.

At year end, the commission again reiterated its decree that the government should pay full commercial rates for telegraph service. The Federal government through its procurement division (Bureau of Federal Supply) had sought a rehearing of the telegraph rate case on the grounds that Western Union had not presented testimony indicating the justification for full rates for government service. The commission, however, ruled that the government had failed to show any conclusive reasons why it should receive a 20 per cent differential. Commissioners Durr and Walker again dissented.

In another year-end action the FCC authorized the American Telephone and Telegraph Company to expand its facilities to the tune of \$76,130,000 during 1948. An expansion program sought by AT&T and its subsidiaries will add about a million and a half miles of wire circuits for telephone, telegraph, television, and radio broadcasting services. The commis-

sion also authorized Pacific Telephone & Telegraph Company and Bell Telephone Company of Nevada to complete an \$18,000,000 addition to their facilities on the West coast.

Telephone Financing Wavers

NEWEST financial developments in the telephone field indicate the uncertainty of present earnings figures. On the favorable side, the year-end bond survey of Halsey, Stuart & Company, Inc., indicates that the utilities' record of earnings stability should make it easy for them to fill their requirements.

However, various telephone companies reported declining net incomes for 1947 and could forecast little hopeful progress in the coming year. Pacific Telephone & Telegraph Company reported net income for the twelve months ended November 30th at \$12,329,567 compared with \$19,504,444 in the preceding twelve months. The Illinois Bell Telephone Company declared a 50-cent dividend on common stock payable December 31st, following the approval by the Illinois Commerce Commission of permanent rate increases. In a letter to stockholders, G. K. McCorkle, president of Illinois Bell, declared that "it is expected that with the rate increases in full effect, earnings will improve in the first quarter of 1948 but will be well below the earnings level of the prewar period."

In other states, public utility commissions were slowing down the upward march of telephone rates. The state corporation commission of Virginia, hearing a request for rate increases filed by the Chesapeake & Potomac Telephone Company, prevented an automatic rate increase on January 1st, but continued the suspension of the new rate schedules until March 1st. In New Hampshire the public service commission refused to increase rates of the New England Telephone & Telegraph Company by \$1,680,000. The commission is conducting an investigation of the telephone company's financial structure, and refused to grant provisional rate increases until the study could be completed.

Financial News



and Comment

By OWEN ELY

Summary of 1947 Utility Financing

THE accompanying table summarizes public utility financing for the calendar year 1947, based on a special compilation, the results of which may differ from the figures prepared by the *Financial and Commercial Chronicle* (which has not yet published its report). This compilation does not include the huge

stock offering (2,800,000 shares at \$150) made by the American Telephone and Telegraph to system employees, which was reported 45 per cent subscribed. On this basis the issue would have amounted to about \$189,000,000, but since payment is to be made through salary deductions over a considerable period of time there is some question as to how the item should be handled—presumably it should go into the 1948 total.



SUMMARY OF PUBLIC UTILITY SECURITY ISSUES FOR YEAR 1947* (In Millions of Dollars)

	Total	Refunding	New Money	Other**
Debt Securities:				
Mortgage Bonds:				
Public Issues	\$1,215	\$ 746	\$ 363	\$105
Private Issues	401	155	246	—
Total	\$1,616	\$ 901	\$ 609	\$105
Debentures:				
Public Issues	\$1,119	\$ 299	\$ 820	—
Private Issues	64	47	17	—
Total	\$1,183	\$ 346	\$ 837	—
Total Debt Securities	\$2,799	\$1,247	\$1,446	\$105
Preferred Stocks:	325	180	137	8
Common Stocks:				
Direct Sale to Public	143	—	77	66
Sales through Subscription Rights ..	260	—	138	122
Total Common Stocks	403	—	215	188
Total All Securities	\$3,528	\$1,428	\$1,799	\$301

*Includes electric, gas, telephone, and municipal (one transit system).

**Includes divestment of controlling interest by holding companies through direct sale to public and subscription rights to stockholders, and \$105,000,000 revenue bonds of Chicago Transit Authority.

FINANCIAL NEWS AND COMMENT

Of the total "new money" financing by utility companies, 34 per cent was raised through mortgage bond issues, 46 per cent through debentures (including the large telephone issues), less than 8 per cent through preferred stock issues, and 12 per cent through common stock flotations. The ratio was therefore 80-8-12 per cent compared with the SEC working formula for capital ratios of 50-25-25 per cent. The industry's difficulties with preferred stock offerings indicate the need for opening up new investment channels, such as direct sales to customers or the local public, as was done successfully in the early 1920's. Continued sale of convertible issues is also advisable as a partial substitute for equity financing.

Tax Policies Must Not Stifle Venture Capital

TAX policies which will encourage risk-taking investment are essential if the United States is to avoid economic degeneration which has overtaken such countries as England and France, warned George Terborgh, research director of the Machinery and Allied Products Institute (Chicago), who gave testimony on November 24th before the House Ways and Means Committee. The warning is of special interest because of the difficulties recently encountered by utility companies in financing needed construction programs.

Since the 1920's American capital in the form of industrial equipment, housing, and public works has been consumed faster than it has been replaced, he said. Present tax policies leave an inadequate supply of savings for necessary investment and discourage investment in venturesome enterprises on which technological progress and high-level employment depend.

Terborgh emphasized that America must now compete with state-controlled economies which are rebuilding their industries with the most modern equipment available. He said:

The importance of a dynamic technology is probably realized more vividly today in some countries that lack it than in the United States itself, traditionally the world's model in this respect. England and France, at least, are busily, and even frantically, in search of a remedy for the decrepitude and obsolescence into which much of their industrial equipment has fallen. They are finding, however, that it is easier to sink into this condition than to get out of it. The process of degeneration has been going on for decades and cannot be arrested, much less reversed, over night. The moral for this country is plain. We must avoid the degeneration in the first place.

He contended that the theory that industrial economies suffer from oversaving, advanced by the late Lord Keynes, is fallacious, and that more saving by individuals and corporations must be encouraged if America is to retain and advance its technological supremacy.

MR. TERBORGH, speaking for the capital goods industries represented by the institute, confined his tax recommendations to policies affecting the production of capital goods. His recommendations were:

1. Reduce the corporate tax rate as rapidly as possible to not over 25 per cent, and make it a flat-rate levy, without graduation or exemptions; and moderate the progression rate on individual incomes so that no portion of personal income is taxed more than 50 per cent.
2. Abolish double taxation of dividends.
3. Provide for a 6-year carry-over and 3-year carry-back of losses.
4. Liberalize depreciation policy, and place the burden of proof on the Treasury Department in cases of disagreement between the taxpayer and the government.
5. Reduce the capital gains tax and allow full deduction for losses.
6. Modify present provisions relating to undue accumulation of corporate surplus.

He said that the institute's recommendations would increase, not decrease, tax revenues, because they would encour-

PUBLIC UTILITIES FORTNIGHTLY

age creation of wealth and income to be taxed.

In regard to reduction of corporate and individual rates he said: "We are aware that this may involve an increased burden elsewhere, and that it may be necessary to resort more largely than we now do to indirect taxation."

He said that in Great Britain and Canada direct levies on personal and corporate incomes are relied on for only 60 per cent of total revenue, as against 70 to 80 per cent in this country; and that we have made relatively less use of sales and excise taxes. He emphasized that "it is not generally realized how dependent the corporate system has been on risk taking by people of substantial income."

Recent estimates indicate that only 8 per cent of all consumer spending units (families and unattached individuals) own any corporate stock at all. More striking still, it appears that more than half of the total stock outstanding, exclusive of intercorporate holdings, can be accounted for by the 100,000 largest holders among these owning units, or by less than one-quarter of one per cent of all units.

It is primarily the saving of the well-to-do that has provided the venture capital with which corporate industry has expanded production and employment. Their saving is needed for a dynamic expansion of industry in the future.

He stated that "the present structure of personal income tax rates leaves neither the means nor the incentive for large-scale risk taking in the upper brackets. One authority has estimated that taxes and living costs have reduced the total saving from incomes of \$50,000 and over to somewhere around 15 per cent of income, in contrast to 50 per cent, or thereabouts, in the 1920's. As the power to save is drastically reduced, the incentive to risk such savings is likewise reduced."

He felt that industry is thus cut off from its historic source of venture capital, on which expanded employment depends.

"It will be lucky," he said, "under the present tax structure to get more than a fraction of the new equity money it should have for a dynamic expansion of facilities and job opportunities."

Utility Securities in College Endowment Funds

HOLDINGS of utility securities by college endowment funds were discussed very briefly in the article "Institutional Holdings of Utility Securities" in the October 23rd FORTNIGHTLY. An elaborate survey of these funds by Scudder, Stevens & Clark (published in September) gives complete data on the holdings of utility and other securities in 59 university and college endowment funds (\$1,300,000,000 or about 77 per cent of all such funds). The breakdown of the funds, considered as a unit, was as shown in the table on page 173.

During the 15-year period 1931-46 the college funds increased the proportion of U. S. government bonds from 2½ per cent to 27 per cent of total funds, but reduced other bondholdings from 29 per cent to 6 per cent and high-grade preferreds from 2½ per cent to 1 per cent. Senior risk securities were reduced more moderately from 25 per cent to 19 per cent. Mortgages and real estate investments were cut in half from 27 per cent to 14 per cent.

The reduction in senior risk securities and real estate permitted an increase in equity holdings from 11½ per cent to 30 per cent. Utility holdings in the two periods compare as follows (as percentages of the total funds):

	1931	1946
High-grade Bonds	10½%	3 %
High-grade Preferred Stocks	1	—
"Risk" Bonds	7	2
"Risk" Preferred Stocks ...	7½	3½
Common Stocks	2½	4
	23½%	12½%

HOLDINGS of utility common stocks in 1931 were 22 per cent of all equity holdings but in 1946 only 13 per

FINANCIAL NEWS AND COMMENT

cent. Considering the recent market decline, this would seem to be an excellent time for college funds to increase their holdings of utility equities. As indicated in the accompanying table in this department, good utility stocks are currently available to yield some 5-8 per cent. Many of these issues have paid dividends for decades. While long-term growth possibilities may be limited as compared with some unregulated industrial issues, nevertheless utility stocks seem to merit a more important position in university portfolios.

New York Court Condemns Straight-line Depreciation

THE appellate division of the New York Supreme Court on January 7th handed down a noteworthy decision against the public service commission of New York. Rochester Gas & Electric Corporation (in the General Public Utilities system) had objected to the commission's request that it set aside \$10,700,000 for depreciation reserve and \$6,658,171 for plant account reduction, and the commission in turn had delayed

approval of a \$23,000,000 financing program.

The commission, under the leadership of its chairman, Milo R. Maltbie, has for some years favored the adjustment of depreciation reserves to a straight-line basis. Not satisfied with placing current depreciation accruals on this basis, the commission has insisted that accruals should be adjusted for previous years, as though this method had been in use since the plants were constructed—despite the fact that resulting charges against surplus might drastically affect the equity rights of common stockholders and run counter to commission orders of earlier years.

Moreover, the state commission has favored the so-called "prudent investment" theory of valuation which goes even further than the "original cost" theory in cutting down gross plant values.

AMONG the New York state utilities affected by these rulings, Consolidated Edison and Niagara Hudson Power have been asked to consider large readjustments in their plant accounts and depreciation reserves. Both companies have earmarked large portions of sur-



	Per Cent	Totals
Real Estate and Mortgages, etc.	14%	14%
<i>High-grade Securities and Cash:</i>		
Cash	3	
U. S. Governments	27	
High-grade Bonds—Utility	3	
High-grade Bonds—Other	3	
High-grade Pfd. Stocks	1	37
<i>Senior "Risk" Securities:</i>		
Bonds—Utility	2	
Railroad	4½	
Industrial, etc.	2½	
Preferred Stocks—Utility	3½	
Railroad	½	
Industrial	6	19
<i>Common Stocks</i>		
Utility	4	
Railroad	1	
Industrial	20	
Bank and Insurance	5	30
		100%

PUBLIC UTILITIES FORTNIGHTLY

plus to effect these adjustments, if and to the extent they are finally determined to be necessary. Consolidated Edison's big refunding program was apparently slowed by this issue; if the program had been carried through as originally scheduled the company might have had its proposed preferred stock refunding completed before market difficulties developed. Niagara Hudson has been co-operating with the commission in the latter's investigation of its system accounting, in an effort to speed its application for a merger of subsidiaries and to complete its integration program with the SEC.

Some utilities, such as Long Island Lighting, have been required by the commission to set aside substantial amounts of earnings annually in order to provide special reserves, or for improvements. These orders have been somewhat similar to those ordered by the Federal commissions—the FPC and SEC—though possibly more stringent. In the Rochester Case the company was required to set aside \$75,000 a month from earnings until the aggregate amount equaled about \$7,750,000, and also to pay into the depreciation reserve account \$2,100,000 a year from earnings.

The appellate division held that the commission's approval of the issuance of new securities should not be dependent on the company's agreement to change its balance sheet surplus into a deficit. The new construction which the company seeks to finance is necessary to serve the public in the Rochester area and the program should not be held up until the straight-line depreciation issue is settled. The commission has been granted powers to regulate accounts and to approve the issuance of securities, but the court held that these powers should be exercised separately, and that coercive or punitive conditions should not be attached to the granting of reasonable requests.

The court cited previous court decisions condemning requirement of retroactive, straight-line depreciation. It quoted the opinion in *McCardle et al. v. Indianapolis Water Co.* (272 US 400) as follows:

The deduction was not based on an inspection of the property. It was the result of a "straight-line" calculation based on age and estimated or assumed useful life of perishable elements. . . . The testimony of competent valuation engineers who examined the property and made estimates in respect of its conditions is to be preferred to mere calculations based on averages and assumed probabilities.

REGARDING the two write-offs of \$3,800,000 and \$2,800,000, respectively, ordered by the commission, the first already had been annulled by the court in a previous case and no appeal had been taken from that decision. The other amount was of the same general character, and had not been considered by the court on previous appeal because the commission had said it would grant a rehearing—which thus far has not been held.

The court quoted from the *Iroquois Gas Case* (264 NY 17):

The power vested in the commission to prescribe uniform methods of keeping accounts and records does not include the power to compel a corporation to write off from its book value a loss which it has not sustained or to give up a part of its constitutional rights.

It seems probable that the commission will attempt to carry this decision to the court of appeals. Since the court's decision remitted the matter for further consideration, such an appeal can be taken only by permission of either the appellate division, third department, or the court of appeals.

Should the decision be sustained it seems possible that Consolidated Edison may be able to reduce or cancel the item of \$162,565,280 "unearned surplus—special" which was segregated December 31, 1946.

Setting up of this special reserve sharply reduced the book value of the common stock.

Wall Street Views

THE latest issue of *The Analysts Journal* contains three articles of special interest to the utility industry:

FINANCIAL NEWS AND COMMENT

"Survey of Electrical Utility Industry, 1926—1946—1961" by Walter J. Herrman; "Shortcomings of Financial Statements from the Security Analyst's Viewpoint" by J. M. Galanis; and "A Suggested Method for Determining Combined Fixed Charge and Preferred Dividend Coverage" by Alden S. Bennett.

Mr. Herrman's article was based on an address before the New York Society of Security Analysts September 19th, which was referred to briefly (with reproduction of an important chart) in *PUR Utilities Financial Letter* No. 39. Mr. Herrman concludes that, "because of the unprecedented need for new capital, it is essential that utility companies be kept financially sound and prosperous in order to attract funds in a competitive security market. A cooperative attitude on the part of government agencies, including relief from subsidized government operation and from ill-advised tax programs, together with a realistic approach toward questions of valuation and return, will help greatly to provide the healthy economic climate which will assure the continued prosperity of this essential industry."

MR. GALANIS, in discussing utility financial statements, stated that "the recent trend toward oversimplification of utility annual reports does not meet with the favor of security analysts," but mentions the reports of Southern Natural Gas, Northern Indiana Public Service, and the companies formerly controlled by Engineers Public Service as "commendable for their more complete and more intelligible presentations." Specific suggestions made by Mr. Galanis were as follows:

(1) Income reports and balance sheets should always be on a 2-year basis, to reveal changes during the year.

(2) The valuable data shown in reports to insurance companies and 10-K reports to the SEC should be made available to stockholders.

(3) Federal income taxes should

be deducted from earnings *after*, rather than *before*, deduction of fixed charges. (We are inclined to disagree with Mr. Galanis, since the item net operating income after *all* taxes is of value in estimating the return on the rate base.)

(4) Preferred dividends should be shown as part of the income statement, not buried in surplus (to which we may add that share earnings on the common stock should be shown at the foot of the income statement).

(5) Charges for past service annuities and resulting tax savings should appear only in surplus.

(6) Interest charged to construction should be shown separately.

(7) "Other income" should be explained.

(8) Amortization of plant intangibles is variously treated—the report should indicate whether the item is a deductible expense for rate-making purposes under commission rulings, or whether it is charged to surplus. (It would also be interesting to know whether the item is allowable as a tax deduction.)

(9) Balance sheets should clearly show par value of all stocks, and segregate capital surplus from earned surplus.

(10) The lengthy footnotes which follow the financial statements are usually legalistic and obscure—their meaning should be clarified.

MR. BENNETT's short article suggests a new method of figuring the earnings coverage for fixed charges and preferred dividends (the yardstick used by bankers to appraise preferred stocks). Based on the present Federal tax of 38 per cent, he would divide the preferred dividend requirement by .62, add the fixed charges, and divide the total into gross income *before* income taxes. The method has the advantage of being easily applicable over a period of years, reducing the results to a comparable basis in relation to the present tax rate.

PUBLIC UTILITIES FORTNIGHTLY

RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC-GAS OPERATING COMPANY STOCKS

	1/12/48 Price	Yield	Earned (12 Mos.)	P-E Ratio
<i>Revenues \$50,000,000 and over</i>				
B Boston Edison (\$2.40)	41	5.9%	\$2.51-j	16.3
S Commonwealth Edison (\$1.40)	28	5.0	2.08-s	13.5
S Consol. Edison of N. Y. (\$1.60)	23	7.0	1.61-s	14.3
C Consol. Gas of Balt. (\$3.60)	68	5.3	5.51-s	12.3
S Consumers Power (\$2)	34	5.9	2.77-n	12.3
S Detroit Edison (\$1.20)	22	5.5	1.52-n	14.5
C Duke Power (\$3)	75	4.0	8.09-d	9.3
S Pacific G. & E. (\$2)	36	5.6	2.55-s	14.1
S Penn. Power & Light (\$1.20)	19	6.3	2.01-n	9.4
S Phila. Electric (\$1.20)	24	5.0	1.80-s	13.3
S So. Calif. Edison (\$1.50)	30	5.0	1.70-s	17.6
Averages		5.3%		13.4
<i>Revenues \$10-\$50,000,000</i>				
O Atlantic City Elec. (\$1.20)	16	7.5%	\$1.37-o	11.7
S Birmingham Elec. (\$1.20)	14	8.6	1.54-n	9.1
S Carolina P. & L. (\$2)	31	6.5	2.91-n	10.7
S Central Hudson G. & E. (52¢)	8	6.5	.55-s	14.6
O Central Maine Power (\$1.20)	18	6.7	1.44-n	12.5
S Cincinnati G. & E. (\$1.40)	26	5.4	1.93-s	13.5
S Cleveland Elec. Illum. (\$2)	37	5.4	2.46-s	15.0
S Columbus & S. Ohio Elec. (\$2.80)	38	7.4	4.20-s	9.0
O Connecticut L. & P. (\$4)	60	6.7	3.46-n	17.3
S Dayton P. & L. (\$1.80)	28	6.4	2.61-s	10.7
O Delaware P. & L. (\$1)	17	5.9	1.66-s	10.2
S Florida Power Corp. (\$1)	14	7.1	1.63-s	8.6
S Gulf States Util. (\$1)	15	6.7	1.68-o	8.9
C Hartford Elec. Light (\$2.85)	55	5.2	2.97-d	18.5
S Houston Lighting (\$2)	41	4.9	2.75-n	14.9
C Illinois Power (\$2)	26	7.7	3.63-n	7.2
S Indianapolis P. & L. (\$1.50)	23	6.5	3.54-s	6.5
O No. Indiana P. S. (\$1.20)	15	8.0	2.04-n	7.4
S Ohio Edison (\$2)	31	6.5	3.13-n	9.9
S Potomac Elec. Power (90¢)	13	6.9	.88-s	14.8
S Pub. Ser. of Colo. (\$1.65)	33	5.0	4.37-s	7.6
O Pub. Ser. of Indiana (Stock)	38	7.8	4.66-o	8.2
O Public Service of N. H. (\$1.80)	28	6.4	2.11-n	13.3
O Puget Sound P. & L. (80¢)	11	7.3	1.96-o	5.6
O San Diego G. & E. (80¢)	14	5.7	.94-o	15.0
O Southwestern Pub. Ser. (\$1.60)	23	7.0	2.50-o	9.2
C Utah Power & Light (\$1.40)	22	6.4	2.45-o	9.0
S Virginia Elec. Power (x)	16	—	1.58-o	10.1
S Wisconsin Elec. Power (\$1)	17	5.9	1.67-s	10.2
Averages		6.5%		11.0
<i>Revenues under \$10,000,000</i>				
C Calif. Elec. Pr. (60¢)	8	7.5%	\$.73-s	11.0
O Central Vermont Pub. Ser.	10	—	.46-n	21.7
O El Paso Electric (\$1.60)	24	6.7	2.52-o	9.5
S Empire Dist. Elec. (\$1.12)	14	8.0	1.62-n	8.6
C Mountain States Power (\$2.50)	29	8.7	3.57-a	8.1
C Penn. Water & Power (\$4)	54	7.1	4.73-d	11.4
O Sierra Pacific Power (\$1.60)	24	6.7	1.90-o	12.6
C Tampa Electric (\$2)	31	6.5	2.43-o	12.8
Averages		7.3%		10.6
Averages, three groups		6.4%		11.5

FINANCIAL NEWS AND COMMENT

RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC-GAS HOLDING COMPANY STOCKS

	1/12/48 Price	Yield	Earned (12 Mos.)	P-E Ratio
<i>Integrated Holding Company Systems</i>				
C American Gas & Elec. (\$1 and stock)	35	6.7%	\$3.91-o	9.0
C Central & Southwest (70¢)	9½	7.4	1.22-d	7.8
S New England Elec. System (\$1)	12	8.3	1.36-s	8.8
O New England G. & E. (80¢)	11	7.3	1.35-s	8.1
Averages		7.4%		8.4

Systems in Process of Integration:

Common Stocks—Dividend Paying

C American L. & Tr. (\$1.20)	17	7.1%	\$1.71-s	9.9
C Cities Service (\$2)	37	5.4	6.41-d	5.8
C Electric Bond & Share (\$1)	11	9.1	—	—
S General Pub. Util. (80¢)	13	6.2	1.58-s	8.2
S North American (Cash & Stock)	17	—	1.85-PF	9.2
C Philadelphia Co. (55¢)	10	5.5	.55-s	18.2
S Pub. Ser. of N. J. (\$1.40)	22	6.4	2.54-d	8.7
S United Gas Impr. (\$1.30)	22	5.9	1.73-s	12.7
C United Lt. & Rys. (\$1)	20	5.0	3.28-s	6.1
O West Penn Power (\$1.65)	28	5.9	2.15-s	13.0
Averages		6.3%		9.4

Common Stocks—Nondividend

S American P. & L.	8	—	\$3.85-o	—
S American Water Works & Elec.	17	—	3.10-j	—
S Commonwealth & Southern	2½	—	.63-n	—
S Electric P. & L.	16½	—	4.24-o	—
S Inter. Hydro-Elec. "A"	6½	—	—	—
C Long Island Lighting Co.	1	—	—	—
C Middle West Corp.	15	—	—	—
O New England Pub. Ser.	4	—	—	—
C Niagara Hudson Power	9	—	1.40-s	—
C North American L. & P.	7	—	—	—
S United Corp.	2½	—	—	—

Preferred Stocks—Dividend Paying

	1/12/48 Price	Yield	Approx. Arrears
S United Corp. \$3 Pref.	43	7.0%	—
S Philadelphia Co. \$6 Pfd.	99	6.1	—
S Amer. & For. Pwr. \$7 Pfd.	89	7.9	\$74
S Amer. P. & L. \$6 Pfd.	95	6.3	44
S Commonwealth & So. \$6 Pfd.	100	6.0	19
S Electric P. & L. \$7 Pfd.	150	4.7	90
C Niagara Hudson Pr. 5% 1st Pfd.	102	4.9	—
O N. States Pr. (Del.) 7% Pfd.	96	7.3	10
Average		6.3%	

Preferred Stocks—No Current Payments

C Electric P. & L. \$7 2nd Pfd.	143	—	\$107
C Int. Hydro-Elec. \$3.50 Pfd.	59	—	47
O New England P. S. \$7 Plain Pfd.	100	—	109
C North Amer. L. & P. \$6 Pfd.	192	—	92
S Standard G. & E. \$7 Prior Pref.	105	—	96
C Standard P. & L. \$7 Pfd.	106	—	95

x—Dividend payments deferred under Engineers Public Service plan. B—Boston Exchange.
C—Curb Exchange. O—Over counter or out-of-town exchange. S—New York Stock Exchange.
d—December, 1946. j—June, 1947. a—August, 1947. s—September, 1947. o—October, 1947.
n—November, 1947. PF—*Pro forma* current earnings.



What Others Think

Electricity Prices Continue Decrease



THE trend of recent years was reversed during 1946 in the cost of gas and electricity to domestic consumers. Bills for electricity continued to decline in large cities while they increased for gas, according to a recent survey of the U. S. Bureau of Labor Statistics.

In 24 cities, consumers of electricity benefited from rate reductions during 1946. No increases were recorded in any cities.

Many of the rate reductions were directly traceable to the repeal of the Federal excess profits tax law late in 1945. Voluntary reductions in rates were made in several cities, notably Kansas City and Boston. In Kansas City, a voluntary rate reduction by the utility serving that area averaged $12\frac{1}{2}$ per cent, and saved residential users approximately \$1,800,000. In several New England cities, lower domestic rates were made possible by increased customer consumption.

Indianapolis, Detroit, Chicago, Savannah, Norfolk, Louisville, and Manchester were among the cities served by utilities whose rates were reduced because of their more favorable earnings position after the repeal of the Federal excess profits tax.

Typical monthly bills of domestic consumers in the 51 cities surveyed declined more than 5 per cent for 25 kilowatt hours, and nearly 3 per cent for 100 kilowatt hours, between December 15, 1945, and December 15, 1946.

Domestic gas rates, however, increased in Portland, Oregon, and Newark, New

Jersey, and declined in San Francisco, California, Chicago, Peoria, and Springfield, Illinois, and Minneapolis, Minnesota. In New York city, there were two rate changes due to the usual seasonal adjustments, and the net result was no change from December, 1945, to December, 1946.

Gas bills, however, in New York city were higher because of the imposition of an additional 1 per cent city sales tax on all gas bills rendered after July, 1946. Typical domestic gas bills increased during 1946 in 12 of the 50 reporting cities. In 10 cities they averaged lower than in 1945, and in 28 remained the same.

Because of rate changes, taxes, fuel adjustment clauses contained in many of the rate schedules, and changes in the heat content of the gas furnished domestic consumers, gas bills for 10.6 therms rose by an average of 1.5 per cent in 50 cities; and for bills of 30.6 therms the increase was 2.5 per cent. These increases during 1946 reversed the trend of recent years, but typical monthly bills for gas were still below their levels as of December 15, 1939, and December 15, 1941.

In the 19 cities where natural gas is sold, the index for 10.6 therms moved up 11.3 per cent; the index for 30.6 therms, 13.4 per cent. This increase was largely traceable to the fact that gas bills in Detroit in December, 1945, were subject to a 53 per cent discount ordered by the Michigan Public Service Commission.



	Per Cent Change in			
	Electricity Bills for		Gas Bills for	
	25 Kw. Hrs.	100 Kw. Hrs.	10.6 Therms	30.6 Therms
December, 1945-December, 1946	- 5.2	-2.8	+1.5	+2.3
December, 1941-December, 1946	- 8.9	-3.7	-2.1	-3.7
December, 1939-December, 1946	-10.7	-5.9	-4.6	-6.3
JAN. 29, 1948		178		

WHAT OTHERS THINK

Natural gas rates were reduced in San Francisco beginning with the meter readings on February 28, 1946. The estimated reduction of \$3,500,000 a year, in the opinion of the state railroad commission, would leave to the company earnings sufficient to meet its financial requirements and would provide not less than a reasonable return on fair value of its gas

properties. Favorable earnings of utilities which resulted from the repeal of the Federal excess profits tax law contributed to lower rates for gas in Chicago, Peoria, and Springfield.

The accompanying table shows the percentage change in cost of electricity and gas in the U. S. in specified periods.

—MARION HAMMETT.

Conservation of Oil and Gas Features Interstate Oil Compact Talks

AT the annual meeting of the Interstate Oil Compact Commission, held in Oklahoma City, December 4-6, 1947, the chief subjects under discussion were the effects of oil and gas conservation on petroleum supply and the economic life of the nation.

The meeting was attended by six governors among the representatives of 19 oil-producing states and by several hundred industry leaders.

At the open forum session, W. Alton Jones, president of Cities Service Company, New York, speaking of the problems confronting virtually every major industry in meeting the extraordinary demands arising in this period of inflation, said:

Time and the play of those forces inherent in free enterprise will be required to increase production at home and abroad until we are again in a position of comfortable supply. Industry will need the help of this commission to solve these problems in the immediate future and in the years ahead.

As to ways in which the compact commission might aid the industry, Mr. Jones made these suggestions:

- (1) Perfecting state statutes on conservation of oil and gas, and making them uniform;
- (2) formulating a rational petroleum import policy for this country;
- (3) educating the states on the dangers of confiscatory petroleum taxation policy;
- (4) securing appropriate Federal legislation concerning offshore prospective oil and gas lands;
- (5) promoting measures by states to encourage more rapid discovery of new reserves and the maximum recovery from known reserves;
- (6) furthering research and study

as to improved methods of developing and producing petroleum; (7) promoting uniform determination of efficient production rates by fields and areas; (8) stressing the desirability that Marshall plan funds for petroleum rehabilitation in Europe be placed with nationals—not governments—to keep the industry so far as possible on a private enterprise basis; (9) resist Federal encroachment and controls which will tend to stagnate and regiment the industry; and (10) preserve the democratic system exemplified by the commission itself—that is, the substitution of the rule of reason and logic for government directive and control.

THE controversial tidelands issue was brought before the meeting by two speakers. Governor Beauford Jester of Texas asserted that the Supreme Court went out of the judicial field and legislated a new ideology; namely, that the Federal government has the right to nationalize national resources for purposes of national defense and the conduct of international relations.

He added that "More than tidelands oil is at stake in this question. If the Federal government has a paramount right over all vital resources, then it can take over the factories, mines, and farms under the theory of national defense."

Rex Baker, attorney for Humble Oil & Refining Company, speaking of the opinion of the United States Supreme Court in the California tidelands case, said:

The public apparently does not recognize the impact of that decision, otherwise it would be up in arms and do something about it.

PUBLIC UTILITIES FORTNIGHTLY

Under the decision, we are at the point where the government can grab and mobilize the resources of this country. It can take properties under the guise of not only an emergency, but because the properties are of public interest. And this can be done without compensation.

MERLE THORPE, director of business development for Cities Service Company, spoke of the need of coöperation between business and politics. He said:

Self-preservation, it would seem obvious, should impel business and politics to pull together.

The grave danger is that politics may destroy . . . [the] spirit of American enterprise by its baiting on the one hand and by its threat of competition on the other.

Spirit is an intangible force, yet the most powerful factor in business undertakings.

The speaker declared that as business cannot do the work of politics, neither can politicians do the work of business, and he added that

The businessman should understand that a public official cannot operate as he must. It is a different technique. When the businessman condemns all politics as corrupt and all politicians as charlatans, he is not ready for coöperation. On the other hand the politician should coöperate in his field by an honest attempt to understand the complexities and intricacies of business, its policies and practices. Politics is too prone to condemn business and businessmen *per se*, to exaggerate unmoral and unethical practices.

Reports of various committees were presented at the meetings, and, at the closing business session, new officers were elected, and plans laid for the coming year.

India's Electric Power System Threatened With Nationalization

PRESS items focus attention on the trend in many countries toward nationalization of basic or key industries. The influence of socialism can be observed at work in the new state of Pakistan, and the Indian Union. Both states held government-sponsored conferences of leading industrialists last month. The keynote of the sessions in both dominions was indicative of impending government control.

I. I. Chundrigar, Pakistan's Minister of Commerce, Industries, and Works, told delegates at Karachi that the munitions industry, railways, post and telegraph, broadcasting, hydroelectric power, and mineral and oil rights, would very likely become state owned.

In Calcutta, Prime Minister Pandit Nehru defined the Indian Union's future economic policy. This will entail a large measure of socialism in certain basic and key industries, he said. Private enterprise might perhaps be encouraged, but the main tendency will be toward state ownership and control of industry.

Additional light was shed upon this

threat through the statement of the chairman of the Tata Power Company, Limited, contained in the company's annual report for 1946-47. This organization is the largest unit of the Tata Hydro-Electric System, which is an affiliate of the Tata Iron & Steel interests of Bombay.

To indicate the size of the system, the report stated:

The Tata Hydro-Electric System, comprising the Tata Hydro-Electric Power Supply Company, the Andhra Valley Power Supply Company, and the Tata Power Company, is operated as an integrated electric power system serving an area in the Province of Bombay of more than 1,000 square miles, with an estimated population of almost 4,000,000. It is the largest power system in India, having . . . an annual output representing more than one-third of the total electricity production of India.

With respect to capacity, the report contained the following:

The combined generating capacity of the three hydroelectric stations is approximately 230,000 kilowatts and the rated capacity of the interconnected steam-electric station of the railway is 40,000 kilowatts.

WHAT OTHERS THINK



"HE'S RIGHT AT TH' DANGEROUS AGE—ALWAYS FALLING OUT OF HIS HIGH CHAIR AN' STUFF LIKE THAT!"

A SECTION of the report is devoted to the Electricity Supply Bill, introduced in the Central legislature in February, 1946. The stated purpose of the bill was to provide for the "rationalization of the production and supply of electricity and generally for taking such measures conducive to the electrical development of India."

The bill provided for electricity boards and grid systems similar to Britain's, but made several important departures and additions: (1) extending the powers granted electricity boards far beyond those contemplated in the British legislation upon which the Indian bill was based; and (2) comprehensive provisions of an extraordinary nature for the

regulation of the finances and profits of all supply undertakings.

The Tata Hydro-Electric System made detailed recommendations to the Central legislature for the modification of the bill in order to make its provisions sound and equitable to all concerned.

Before a final decision on the bill, a conference was held at Simla, in June, 1947, attended by representatives of the Tata System. It was hoped that the bill would be revised to provide for a fair regulation of electric supply undertakings in the interest of both consumers and investors, such as would be conducive to the electrical development of India.

In his statement which accompanied

JAN. 29, 1948

PUBLIC UTILITIES FORTNIGHTLY

the report, the chairman of Tata Power stated:

The bill as drafted contains, however, a number of provisions that are considered to be inequitable to existing electric supply undertakings, and that will restrict their future development. This, together with the absence until recently of a clear and definite statement as to their policy with regard to the nationalization of the industry, has caused a great deal of uncertainty that has

been detrimental to the interests of the investors and the industry as a whole.

The Tata System does not dispute the urgent need of expansion of electric power capacity, but it feels that "the nationalization of existing undertakings, however, would not add a single kilowatt of energy to the country's generating capacity, but merely create a state monopoly of the industry."

Brooklyn Union Reviews Fifteen Years

THE Brooklyn Union Gas Company has recently issued a *Review of Operations* for the 15-year period from 1932 to 1946. This report, according to the foreword, continues a practice (begun in 1942) of presenting a comprehensive account of company operations. The first in this series was entitled *A Decade of Progress* and dealt with the ten years from 1932 to (and including) 1941. The war years were covered by supplements to the "Decade." The foreword states:

When preparation of a report for the year 1946 was under consideration, it was deemed desirable to expand its scope over that of an annual supplement and to incorporate a review of the pertinent happenings over the period 1932 through 1946. By so doing, an account of the most important events affecting the company over a span of fifteen years, together with detailed statistics, by years, would be incorporated in one volume.

The present volume is the result. It contains five sections on important phases of the gas utility service and an appendix of financial and statistical tables. The entire report is handsomely done and the text is interlaced with excellent charts and tables, and striking photographs.

THE first of the five sections is devoted to recent developments, and 1946 high lights. Noted in this section is the fact that, although operating revenues increased, the improvement was not sufficient to entirely absorb the effect of added costs. At the same time, "sales

of gas, both revenue and volume, were the largest in the company's history." This portion of the report also calls attention to the following:

The increased demand for gas was unprecedented. Manufacturing capacity could not keep pace with this rising demand which was largely for space-heating purposes. As a result, it was necessary to place a temporary restriction on further sales of gas for space-heating purposes.

Efforts to meet the demand are discussed in a later section. A statement of the company's long-term debt is set forth, together with a summary of the company's construction programs.

Section II concerns operations. It is introduced by the statement that this company is one of the country's largest utilities deriving its revenue solely from the sale of manufactured gas. It comments:

The franchise area of 105 square miles includes 30 of the 32 wards of Brooklyn and 2 of the 5 wards of Queens. In 1946, the company supplied gas to 817,000 meters, representing an estimated population in excess of 3,000,000.

Brooklyn Union plants produce water gas which is mixed with a by-product gas obtained by pipe line from a neighboring oil refinery. Liquefied petroleum gas storage and utilization equipment for peak-load operations was installed during 1946. The section also presents in detail statements as to operating revenues, operating expenses, and a balance sheet.

The third section considers market de-

WHAT OTHERS THINK

velopment, service territory, population trends, competition, and sales promotion.

Section IV of the report is devoted to the subject of natural gas, and the possibility that pipe lines may bring this fuel into the New York area in the near future. The Brooklyn Union Gas Company made a comprehensive preliminary investigation of the entire natural gas question and its possible effects. According to the report,

This investigation involved . . . discussions with neighboring utilities and field investigations of the experiences of . . . companies who had already changed over to the use of natural gas. . . .

The advantages to Brooklyn Union of a constant supply of natural gas are most attractive. At the start, at least, natural gas would be used as a substitute for enriching oils. At the existing prices of oil and re-

finery gas, the potential saving of this substitution would be substantial. . . .

One of the primary concerns of the company has been the effect of natural gas upon the substantial manufactured gas investment now carried. Studies indicate that there is little cause for concern. . . . It appears that the probable use of natural gas by Brooklyn Union will be as a mixing agent rather than as a substitute for manufactured gas.

The fifth section of the brochure is concerned with research problems of gas manufacture and distribution, the utilization of gas, and the economic problems of over-all operation. Thus the company engages in three major types of research: technical, utilization, and economic.

The concluding 40 pages of the compilation contain financial and statistical tables giving detailed figures for each year of the 15-year period covered.

Government Spends Thirty-one Cents Of Each Dollar

ACCORDING to F. A. Harper in a pamphlet obtainable from The Foundation for Economic Education, Irvington-on-Hudson, New York, the average American spends three and three-quarter months out of the year working for the government. This corresponds to the 31 cents taken out of each dollar of 1946 income by Federal, state, and local government. This amount is equal to the consumer's total food, housing, and household expenses.

Harper points out in his booklet, titled *31 Cents*, that only about one-third of the amount taken by government is conspicuous as direct personal taxes, such as income taxes and property taxes. The other two-thirds is mostly in forms concealed from view, attached to items and services bought from private producers. Most people are not aware that taxes have assumed such large proportions:

For instance, out of the 23 cents of the average consumer's income dollar that is paid for food, only 18 cents goes to private producers for the jobs they have done in producing it, and making it available in the store and in the restaurant. The 5-cent difference

is the amount of taxes, added in one way or another to the price as a charge for the expenses of government.

Progressively more and more of people's incomes have been taken by government, particularly over the last two decades. Prior to the Civil War, government took less than a nickel from each dollar of personal income. From the Civil War to World War I, the government deduction was 9 cents. In 1930 began the first sizable peacetime increase in our history, which ran the figure up to about 25 cents.

THE 1946 figure of 31 cents includes only those forms of control over individuals represented by direct government expenditures. In addition, Harper asserts, government exercises other forms of control over some of the remaining 69 cents. All told, the people of this nation have now lost control of nearly half their incomes; this includes the 31 cents actually taken and spent by government, plus the part where government determines the prices that people must

PUBLIC UTILITIES FORTNIGHTLY

pay for the goods and services of private industry.

Alarmed at the rapid growth of government, Harper concludes that it is doubtful if a nation of "free" people can long prevail in this situation. He calls

for a reduction of at least half in the government's "take" from each dollar of personal income. Even such a reduction would leave the spending of individual incomes more restricted than in the decade following World War I.

Notes on Recent Publications

An Ex-"Wobblie" Defends Private Enterprise.

The author of *Why Kill the Goose?*, Sherman Rogers, was from 1907 to 1917 a Pacific Northwest ranch, mine, or lumber camp worker. During that same period he was also an active supporter of the IWW (International Workers of the World). Rogers credits IWW Leader "Big Bill" Haywood with a major share of responsibility for circulating and popularizing the belief that workers under private enterprise get but a small fraction of the income they produce, and that the owners and employers get the lion's share. Rogers lost his extreme socialist convictions while listening to an address by Charles Schwab, exposing the fallacies of the "crumb from the high table" theory. His book attempts to undo the harm wrought by such theories and eliminate this misconception which he sees at the root of all industrial strife. Individual copies, 75 cents, 78 pages, paper bound. **WHY KILL THE GOOSE?** By Sherman Rogers. Published by The Foundation for Economic Education, Inc. Irvington-on-Hudson, New York.

On Opportunity and Responsibility. A pamphlet entitled *Education for Business Responsibility* has been published by the Harvard University Graduate School of Business Administration. In view of the urgent need for able supporters for American democracy and private enterprise, this is a highly notable document. It gives evidence of a growing sense of social responsibility on the part of business leaders in this country, and of a growing intellectual support for the idea that political freedom is dependent on a free economy.

In a foreword to this pamphlet, Dr. James B. Conant, president of Harvard University, indicates the need for a more vital leadership, both in the ideological struggle and in the effort to correct the defects of our system, and to strengthen and improve it. Dr. Conant believes that American universities must take up the challenge and train men for business responsibility. The pamphlet illustrates the realistic approach of the graduate school of business, in the training of young men for business administration. It indicates the close contacts, maintained

by the faculty of the school, with business affairs and problems. According to the document, the business world and the graduate school of business are so closely woven together that there is a constant exchange of ideas and information. This makes business and the school a source of stimulation for each other. Outlined in the pamphlet are the services rendered by the school to the business world. A 20-page pamphlet, obtainable on request. **EDUCATION FOR BUSINESS RESPONSIBILITY**, Harvard University Graduate School of Business Administration, Cambridge, Massachusetts.

On Sustaining Employment. Maintaining prosperity and high-level employment are perhaps our most important single domestic problems. If this goal can be achieved, most of our other problems, it is believed, will become manageable. *A Program for Sustaining Employment* makes numerous concrete suggestions for business management, for labor, and for government. It is to be hoped that this pamphlet will be read widely by business executives and community leaders. It is hoped also that it will find its way into the hands of social science instructors in high schools and colleges, editors, radio commentators, and other popular educational channels. Ten cents per copy, 32 pages. **PROGRAM FOR SUSTAINING EMPLOYMENT**. Report of the Committee on Economic Policy, Chamber of Commerce of the United States of America, Washington 6, D. C.

Coal Empire. A recent publication of the Pittston Company and associated corporations presenting a picture of their activities. Special emphasis is placed on the mining, shipping, and distribution of bituminous coal. This organization produces about 15,000,000 tons of coal a year, has its own export outlet, its own shipping company, and a complete distributing organization covering domestic and foreign markets. Four-color brochure with 36 pages of text, and about 70 color photos. **A STORY IN PICTURES AND TEXT OF THE PITTSBURY COMPANY AND ASSOCIATED CORPORATIONS**. The Pittston Company, Empire State building, New York, New York.

The March of Events



In General

St. Lawrence Opposition

ON the heels of majority and minority reports on the St. Lawrence seaway from the Senate Foreign Relations Committee, independent opposition took form rapidly. In a release dated January 13th, Mayor O'Dwyer of New York city attacked as "Federal boondoggling" the proposed St. Lawrence seaway, and said that furtherance of the project would obstruct the planned rehabilitation of New York harbor at an estimated cost of \$250,000,000.

The mayor appealed to members of the Citizens Budget Commission, who had gathered in the board of estimate chamber at city hall to present suggestions for municipal economies to help him in a campaign to defeat the St. Lawrence project.

It would open the Great Lakes to ocean-going shipping and provide a gigantic electric power development. Recent reports from Washington have indicated the plan is scheduled for final consideration by the Senate at an early date.

"We plan to improve the water front at a cost of \$250,000,000 and when we come to it, what do we find?" Mr. O'Dwyer said. "Down in Washington they plan to build a seaway up at Niagara that will take a good portion of our commerce. Isn't that something?"

Referring to the seaway as "a governmental job that will ruin the port of New York," the mayor said that approval of the project by the Senate would make extremely difficult the sale of bonds to finance the improvement of the city's harbor.

A plan for repair of the harbor at a cost of \$250,000,000 has been submitted

to the city by the World Trade Corporation and a similar proposal by the Port of New York Authority is due to be submitted to the mayor before the first of February.

At a Boston meeting on the preceding day, labor and business leaders closed ranks in a searing attack on the proposed St. Lawrence seaway and power project, characterized as a "fallacious scheme" that would strike a heavy blow to America's economy, particularly in industrial and shipping centers of the Northeast.

Led by Senator Leverett Saltonstall, Republican of Massachusetts, New England and New York opponents to the gigantic program, variously estimated to cost from \$300,000,000 to \$1,000,000,000, declared the seaway would cripple Atlantic ports, bring mass unemployment to certain industries, and would pose the threat of nationalization of railroads and electric utilities, to the "dubious advantage" of a few in the Midwest.

The offensive was launched at a meeting of nearly 500 persons at the Hotel Statler under the auspices of the New England St. Lawrence Project Conference, as a prelude to Senate debate on the project, scheduled to be held early in February.

Budget Ups Project Funds

REPUBLICAN leaders in Congress were predicting heavy slashes in President Truman's budget recommendation of \$39,668,000,000 sent to the Congress January 12th. House Appropriations Committee Chairman John Taber says he thinks he can slash \$5,000,000,000, while

PUBLIC UTILITIES FORTNIGHTLY

Chairman Bridges (Republican, New Hampshire) of the Senate Appropriations Committee said the budget "will be subjected to major reducing surgery."

Among items included of interest to the electric power industry was a recommendation of \$481,210,647 for Interior Department as against \$282,056,650 for the current fiscal year. It was estimated that the budget figures would also increase the personnel of Interior, jump-

ing 290 employees in the office of the Secretary to a maximum of 340 and increase Bonneville's field staff from 1,346 to 2,093. Reclamation Bureau's field personnel would be increased from 18,724 to 19,887. In proposed appropriations to the Agriculture Department, President Truman recommended an increase in lending authority for REA to a total of \$300,000,000 as compared with \$225,000,000 during the current fiscal year.

Arizona

Arizona Seeks Funds

FACED with a warning by Governor Sidney P. Osborn that future development of the state is at stake, a special session of the state legislature began work on January 6th on a bill to appropriate \$125,000,000 to help fight California for additional Colorado river water.

The governor, in a message to the special session, called for creation of an interstate stream commission to wage the fight and asked for power to spend the huge appropriation within eighteen months.

"Special interests in California, directed by the Imperial valley water users and Los Angeles power interests, are seeking to halt further development of benefits to the entire West," the governor said. "If they get more water and we get

less, our economic future is ruined."

Court Chides Commission

CHIDING the agency with the assertion the Constitution does not give it a "golden key to the state treasury," the state supreme court early this month closed all doors to the state corporation commission's efforts to find a way to finance its own rate base examination of utility companies in place of the long-projected Federal Power Commission investigation.

The high court's ruling was given in connection with a declaratory judgment action brought by the commission to determine if any funds are available to pay Max A. Millett, public accountant, with whom it entered into contract to conduct an independent rate study.

Arkansas

Co-op Votes Engineering Survey

AN engineering survey to determine whether it is feasible to build a co-operatively owned power transmission line and steam generating plant to link Norfolk and Bull Shoals dams with TVA and serve rural electric co-ops and municipalities in north, central, and east Arkansas was decided upon by the Arkansas State Electric Coöperative at its quarterly meeting in Little Rock early this month. The coöperative retained Burns & McDonnell, Kansas City con-

sulting engineers, to make the preliminary engineering survey.

R. L. Davidson of Tulsa, general attorney of the Southwestern Power Administration, said REA co-ops will not be secure in serving rural areas so long as the private utilities have a monopoly on steam power generation. He spoke for Douglas G. Wright, SPA Administrator, who was prevented from attending by illness. He praised the state coöperative's power generation and transmission program and promised coöperation of SPA.

THE MARCH OF EVENTS

California

Commission President Elected

RICHARD E. MITTELSTAEDT recently was elected president of the state public utilities commission, succeeding Harold P. Huls who had served as president since mid-1946.

Mittelstaedt, an outstanding military figure, has been a member of the commission since his appointment in August, 1946, when he replaced L. Harold Anderson who resigned. He subsequently was reappointed by Governor Warren in

January, 1947, for a full 6-year term.

Mittelstaedt served as adjutant general of California under Governor Richardson, Governor Young, and Governor Olson. In 1941 he was inducted into the Army as a Brigadier General.

Roy A. Wehe, assistant director public utilities department and San Mateo councilman, left for Washington to take over his new job as power adviser to the U. S. Military Governor in Germany. Wehe has taken a leave of absence from the commission and his San Mateo post.

Georgia

Higher Fares Asked

THE Georgia Power Company recently asked the state public service commission for permission to hike its rates. President C. B. McManus and Comptroller Herman W. Boozer of the power company both testified the transportation business had changed from a profitable business during the war into a profitless business operating at a million dollar loss in 1947.

A slump in the number of passengers, rising costs of labor and equipment, and

modernizing of the trolley system have created a financial crisis, the company claimed.

It asked permission to charge a flat 10-cent fare, instead of offering two rides for 15 cents; sell shoppers' tickets for 15 cents instead of 10 cents; and increase the fares on feeder busses. Feeder busses operating wholly within the city would charge 10 cents instead of 7½ cents for combination rides.

Feeder busses operating outside the city would charge 13 cents instead of 10 cents for outgoing passengers.

Kentucky

Tram Firm Posts Bond

THE Cincinnati, Newport & Covington Railway posted \$100,000 bond on January 6th in order to increase its fare on January 11th from 5 cents to 10, or two tokens for 15 cents.

The action was taken after the state public service commission and state motor transportation division granted pleas of northern Kentucky cities involved that they needed more time to prepare their protests.

The commission tentatively set a hearing for February 2nd, and ordered the increases suspended. The company then

posted bond, as provided for by Kentucky statutes, to assure reimbursement if it finally loses its case. Company officials said the line would give receipts to riders to assure repayment of the difference if necessary.

The company claimed it needed additional revenue and estimated the increase request would bring it around \$247,000 annually.

The two state agencies joined in hearing the case, since the public service commission governs trolleys and trolley busses, and the motor transportation division regulates busses.

Missouri

City Seeks to Intervene

A PETITION by the city of St. Louis to intervene in a hearing before the state public service commission on whether the commission has the right to control natural gas sales by the Mississippi River Fuel Corporation direct to industrial users was filed with the commission at Jefferson City on January 10th.

St. Louis has a "special interest" in the proceeding because the fuel company sells a large amount of gas to industries

in the city, the petition said. The hearing, set for January 26th, was ordered by the commission last month following a United States Supreme Court decision which held that direct sales of gas by pipe-line companies constituted intrastate commerce and hence were subject to state control.

A commission finding that direct sales by the fuel corporation are subject to state regulation presumably would make the company subject to the city's 5 per cent tax on gross sales.

New York

Court Overrules Commission

THE state public service commission's power to require a utility to restrict its earnings and segregate surpluses as a prerequisite of new financing was challenged recently by the appellate division of the state supreme court.

In handing down a 3-to-2 decision, turning back Rochester Gas & Electric Corporation's application for authority to issue \$23,500,000 of new securities to the commission for further consideration, Chief Justice P. J. Hill held that the regulatory agency went beyond its legal powers in ordering the company to set aside from earnings \$900,000 annually for the next ten years.

Adds to Rate Rise Sought

THE Brooklyn Union Gas Company moved on January 9th before Harold M. Olmstead, public service commission examiner, to amend its petition of November 10th for a temporary increase in rates. The petition presented in November would have provided \$400,000 a year. Harris B. Selinnick, chief accountant for the corporation, testified that costs had increased beyond calculations made at that time and an additional \$215,000 would be needed annually. The company serves 92,360 consumers.

An increase in rates of about 8 per

cent, to yield about \$225,000 annually, was granted to the company on August 9, 1947. At that time it seemed to the company to provide amply for production costs. Labor and materials costs advanced unexpectedly, however, and the petition for a temporary increase was filed in November.

Mr. Selinnick said that petition now had been outdated by an increase on December 20th of 50 cents a barrel in the price of fuel oil; an increase of 15 cents a ton in the price of coke on January 5th, due to a freight increase; and by a contract signed January 5th with Local 101 of the utility division of the CIO Transport Workers of America.

Gas Supply May Fail

THE state public service commission reported on January 7th that the New York metropolitan district faced the possibility of a shortage of natural gas, and it was indicated that, coupled with the fuel oil shortage, many homes may not be comfortably or even adequately heated this winter.

In a report to Governor Thomas E. Dewey and the state legislature, the commission said that because of materials shortages the pipe lines from Texas serving the New York area had not been enlarged. The commission asked the legislature for authority to require gas manu-

THE MARCH OF EVENTS

facturing plants under its jurisdiction to operate such stand-by gas-making facilities as are available and to enact emergency legislation giving it authority to order diversion of gas from a company with an excess to an area in the state where an emergency exists.

Last February the natural gas shortage in New York state was most acute in Rockland county, where 2,500 homes twice were threatened with a complete loss of gas for heating. Nassau and Suffolk counties on Long Island, supplied

with manufactured gas, also experienced shortages. Many industrial plants in the metropolitan area also use natural gas.

"Areas served by manufactured gas plants," the report added, "are in a better position to face the demand during the coming months, provided there is a sufficient supply of gas-making materials and gas is not supplied to additional customers for house-heating purposes."

The report was based on a statewide investigation ordered last March by the legislature.

North Carolina

Seek Rate Increases

THE state utilities commission recently set hearing dates on five applications from telephone, gas, and city water concerns, including a petition from Tide Water Power Company for authority to raise rates charged on gas supplied Federal housing project homes in Wilmington.

The Tide Water Case, the commission said, had been docketed for review at Raleigh on January 26th. Other cases called for appearance in Raleigh of Randolph Water Works, Inc., on January 19th; the Monroe Telephone Com-

pany, January 28th; Laurel Hill Telephone, January 21st; and Carolina Power & Light Company, January 22nd.

Tide Water advised the commission that heavy increases in the price of fuels made higher rates imperative.

Both the Monroe and Laurel Hill telephone companies based their applications for higher rates on higher cost of materials and labor.

Carolina Power & Light's application sought authority to turn its customers within the new city limits of Smithfield over to Smithfield's power and light service.

Pennsylvania

Cuts Gas Boost Plea

THE Philadelphia Electric Company on January 8th offered a compromise in its request for a gas rate increase. It proposed to cut \$285,000 from its projected \$1,000,000 increase for 156,000 gas customers in the Philadelphia suburban area.

The offer was made in the form of an amended answer to an order of the state public utility commission for an investigation of the rate boost.

In its proposed new rate schedule the company asked a rate of 60 cents per thousand cubic feet for all gas used in

excess of the first 10,000 cubic feet a month for house heating. The offer is to reduce this to 50 cents. Ten cents also would be cut from the proposed new peak wholesale rate for industries and other heavy users.

Frank M. Hunter, counsel for the company, said the offer was an attempt to reach an early agreement, emphasizing that the utility still believes its original proposals "are fair, just, and reasonable."

The increase would not affect users of gas in the city of Philadelphia because they purchase fuel from the Philadelphia Gas Works Company.

Tennessee

Jourolmon's Successor Sworn In

HAMMOND FOWLER, recently appointed by Governor McCord, was sworn in early last month to succeed Leon Jourolmon as a member of the state railroad and public utilities commission.

Criminal Court Judge Sue K. Hicks of Madisonville administered the oath.

Governor McCord attended at the brief ceremony.

The term to which Commissioner Fowler was appointed expires January 1, 1949, but he is expected to be a candidate for a 6-year term in this year's elections.

Mr. Jourolmon resigned to accept a position representing Kansas City, Missouri, in a telephone rate case.

Texas

Reduced Export of Gas Advocated

STATE Senator Fred Harris recently asked Governor Beauford Jester to call upon all producers of butane or propane gas to restrict exports until Texas consumers are adequately supplied through the months of January, February, and March.

The senator wired the request to Austin after reading a copy of a letter addressed to the state railroad commission by William J. Lawson, executive secre-

tary of the Texas Butane Dealers Association.

Harris had asked a senate investigation of the Texas shortage of butane which reportedly has caught 300,000 consumers in short supply. His action followed a news report of acute shortages in rural and suburban homes of the Dallas area. The fuel is used for heating, cooking, and refrigeration.

Lawson said the change for the worse is due to producers shipping liquefied petroleum gas out of the state this year in unprecedented quantities.

Utah

Rate Rehearing Denied

THE state public service commission recently denied a petition by the Mountain Fuel Supply Company for a rehearing of its general rate case investigation and ordered that new rates reflecting a \$1,366,291 annual reduction in company revenue be filed with the commission by January 17th.

Jules D. Roberts, utility vice president, announced that the company would appeal the commission's decision to the state supreme court.

Under terms of the commission's decision, new rates reflecting the reduction will become effective not later than February 16th.

The reduction was ordered after a commission investigation and hearing on the company's revenue structure and rate charges last summer. On November 14th the commission ordered the utility to reduce its rates by \$1,366,291 after finding that present rates are "unjust, unreasonable, and excessive."

The company in its petition for rehearing attacked virtually all of the commission's findings and maintained that the ordered reduction would "seriously weaken the financial stability" of the utility and threaten the state's future natural gas supply.

The company, under law, has thirty days in which to petition the state supreme court for a writ of certiorari.



Progress of Regulation

Drastic Decline in Earnings Justifies Higher Telephone Rates

THE Chesapeake & Potomac Telephone Company has been authorized by the District of Columbia commission to increase rates upon a showing that, despite a sharp rise in revenues, there has been a drastic decline in earnings because of a large increase in operating expenses. The increased cost is said to be primarily due to the rise in labor expenses.

The company expressed the hope that it would not be necessary for the commission to make the usual findings of a rate base or a rate of return. It requested the commission to find that new rates proposed by the company are neither unjust as to its customers nor in excess of reasonable rates. However, it introduced testimony relative to its average investment-net. The commission considered this pertinent to a decision. The commission concluded that the average net investment, described as book cost of plant less depreciation reserve, plus materials and supplies, constitutes a fair base for testing the adequacy of earnings.

The commission, in its opinion, discusses payments to the American Telephone and Telegraph Company under a license contract. The commission concludes that the amount of expenses allocated to the local company for Federal income taxes, which in turn is a portion of the total Federal income tax liability of the American Company, is not a cost of rendering service to the local company. The commission says:

Generally speaking, the commission is of

the opinion that the local company should pay the American Company no more than the actual cost of the services rendered by the American Company, and that such cost should not include any cost of the general department of the American Company related to its holding company functions. However, it is not necessary for the commission to determine the extent by which the costs, as allocated by the company, are overstated, by reason of the fact that the record contains a computation by commission witness which shows that even if the entire amount paid for license contract services, plus pension accruals charged income, were eliminated, the rate of return earned would be increased from 2.65 per cent to only 3.42 per cent.

Another subject covered by the opinion is the matter of pension accruals. The commission finds that this cost, even though technically applying to other than the current period, should be allowed as a deductible expense in determining the return earned for rate-making purposes.

The pension plan had been adopted in 1913. For a number of years the plan was on a pay-as-you-go basis and pensions were charged to expense in the year they were paid.

No advance provision was made for future pensions, and no pension trust fund was established.

In 1927 a pension trust fund was established, and the accrual method was adopted for accounting for pension costs. The final step for conversion of the plan to a full accrual basis was taken in 1941 and involved increasing the annual accrual rate sufficiently to prevent what is technically known as the "Unfunded Ac-

PUBLIC UTILITIES FORTNIGHTLY

tuarial Reserve Requirement" from growing.

Several changes in the rate structure are involved in the new proposals approved by the commission. Charges for service connections, moves and changes of instruments, for instruments not in place, will be increased. Charges for individual message rate business service and for residence service will be increased.

In the private branch exchange and switching systems there are numerous changes. The commission, describing the changes further, says:

The proposed schedules contain no substantial departures from existing schedules except the withdrawal of the 2-party business message service, the withdrawal of residence message rate private branch exchange trunk, the withdrawal of residence auxiliary line service, and a change in the basis for charges for directory listing.

The users of the 2-party business message

service have declined in recent years from 400 to 200 subscribers, and the commission is informed there have been no recent applications for this type of service. A better type of service can be rendered by individual line service at only 50 cents more per month with 10 additional message units, without additional charge. The little use of this type of service is an uneconomical use of telephone plant.

There are no customers using the residence message rate private branch exchange service, although it has been available for many years.

The company's witness testified that its experience shows that where there are two or more central office lines, the use of the auxiliary line is as great as that of the first and that there is no justification for offering the auxiliary line at a lower rate than that for the first line.

Changes are also made in the basis of charging for directory listings. Fewer listings without additional charge will be granted. *Re Chesapeake & Potomac Telephone Co. (Order No. 3295, PUC No. 1812/38, Formal Case No. 370).*



Charter Provisions Inapplicable to Holding Company Simplification

THE United States District Court approved an amended plan accomplishing a partial reorganization of Electric Bond and Share Company. The plan, which had been approved by the Securities and Exchange Commission, provides for the distribution of \$70 per share in cash to holders of the preferred stock of the holding company. This payment, together with \$30 per share previously paid, would bring the total cash distribution up to \$100 a share.

Also, the preferred stockholders would receive an instrument evidencing the right to receive additional payments which might be determined to be owing them in full satisfaction of their claim in future proceedings. This payment is to be financed by the sale to the holding company's common stockholders, through rights, of its holdings of common stock of other system companies.

The objection was raised that the plan violates the charter of the company. This

provides that the preferred stock be paid \$100 a share in the event of liquidation, winding up of the affairs of the corporation, or distribution of its capital, whether voluntary or involuntary. The charter also provides that the stock may be redeemed at \$110 a share.

Under the plan, it is urged, there is no liquidation or winding up of the affairs of the corporation in the sense contemplated by the charter. It is further argued that if the stockholders are not to be paid \$110 per share pursuant to the redemption provisions of the charter, then the commission must determine the fair value of the preferred stock, whether above or below \$110 a share. The court said:

But both of these objections lose sight of the fact that Plan II-A and its predecessor, Plan I, provide for the "retirement" of the preferred stock of Electric Bond and Share not in any of the ways specified in the charter, but in accordance with the plans which cut across the charter provisions. The order of the Securities and Exchange Commission

PROGRESS OF REGULATION

dated September 6, 1946, issued in conformity with the Public Utility Holding Company Act is based on the commission's opinion and specific findings approving Plan II-A as amended and directing that these things be done in the manner specified in the plan, and not as provided in the charter. It is not necessary that the provisions of the charter of the corporation be followed in a reorganization ordered under § 11.

Furthermore, the contention that the price to be fixed for the preferred stock should be in excess of \$100 per share may be raised later when the value of the instrument to be received by the preferred stockholders as part of the plan will be determined. The price issue, the court held, is premature.

It was alleged that present retirement of the preferred stock is discriminatory in favor of the common stockholders in that they will derive the entire benefit of the continuing enterprises, although the preferred stockholders were given prior rights under the company's charter. If

the preferred stockholders receive the equitable equivalent of their rights, they have no just cause for complaint about the treatment accorded the common stockholders, it was held.

An owner of common stock of the holding company urged the court to dismiss this proceeding because the Securities and Exchange Commission had failed to permit him to participate in the commission hearing. The court held that the commission had acted properly.

The record showed that the stockholder's conduct had been obstreperous and destructive of orderly procedure in prior proceedings and that his conduct remained unchanged. Although this party had been denied personal oral participation because of his conduct, he had been allowed to express his views in writing or to participate through counsel. Furthermore, he had been permitted to attend the proceedings as a spectator. *Re Electric Bond & Share Co. 73 F Supp 426.*



Trucking Rate on Hourly Basis Rejected

A TRUCKING company's application for authority to deviate from minimum rates for transportation of merchandise and to render service on an hourly basis was denied by the California commission. The commission pointed out that rates based upon classification and weight of commodities give a stabilized basis for transportation charges, and that the public benefit arising

from this type rate ordinarily far outweighs the inconvenience of weighing and classifying.

The commission concluded that it could not approve the proposed hourly rate in the absence of a clear showing of its reasonableness for the service involved. *Re Lowry (Marken Transfer Co.) (Decision No. 40201, Application No. 28249).*



Construction of Transmission Line Approved Over Co-op Protest

A POWER company's application for authority to construct a transmission line to supply power to an oil pipeline pumping station was approved by the Missouri commission. The commission limited the use of the transmission line to the pumping station so that an objecting cooperative would be protected

against possible expansion of the new line. The commission authorized the construction only after determining that its decision would not permit the territory of a regularly authorized utility to be invaded by a service which the present utility was willing and able to render.

The power company, as part of its

PUBLIC UTILITIES FORTNIGHTLY

argument, pointed out that even if the cooperative were authorized to serve, it could only do so as a middleman and would have to purchase electric energy from the power company. This would result in a higher rate for power supplied the pumping station.

This argument was rejected by the commission and in no way relied on as a basis for its decision. The commission said:

We are in no way influenced in our conclusions by the fact that it may be difficult, if not impossible, for Sho-Me to meet the rate which the applicant has to offer to Magnolia and if Sho-Me could have the Magnolia contract it would merely be a middleman in the transaction and perhaps increase the cost of electric energy to the pipe-line company. Such contentions of the applicant are overruled.

Re Arkansas-Missouri Power Co. (Case No. 11,158).



Real Estate Subdividers Must Advance Cost Of Water Extensions

A COMPLAINT requesting an exemption from a water company's extension rule was dismissed by the California commission. The rule requires subdividers of real estate to advance the cost of installation of mains, subject to refund over a 10-year period on the basis of all revenues collected.

The complainants contended that, as their real estate developments had been completed and all houses were occupied by owners or tenants, all presently receiving water, the extensions were compensatory and no longer in a speculative stage. Under such circumstances, it was urged, any rule that prevents immediate reimbursement of deposits paid is unfair, unreasonable, and discriminatory and should be disregarded.

It was observed that, as a matter of law, a public utility is not obligated to make every kind of service extension demanded, and when a filed tariff rule is not in violation of an express provision of law or commission order, the rule itself becomes the law, observable by utility and patron alike until legally changed.

The commission said that the extension rule was designed as a protection against the hazards incident to the investment of too great a portion of capital in new service extensions. It held that it could not waive the application of the rule in a particular instance. *Newsom and Bechtel v. Santa Rosa Water Works (Decision No. 40462, Case No. 4837, as amended).*



Gas Utility₂ Unable to Meet Demands

NASH-KELVINATOR CORPORATION has failed to obtain from the Wisconsin commission an order requiring Wisconsin Gas & Electric Company to install plant facilities to insure an adequate and continuous supply of gas for a manufacturing plant.

The commission says that it cannot require the impossible of any utility. It is obviously impossible for the gas company at this time and with its present facilities to meet the demands of this industrial customer, and necessary additional facilities

could not be provided within the space of a year or perhaps more.

Wisconsin utilities, says the commission, are required by law to provide only such facilities as are reasonably adequate. There is no absolute requirement that they shall in all cases provide facilities necessary to meet all demands for service.

The situation presented, says the commission, is deplorable even though it has resulted to a large extent, if not wholly, from conditions over which the utility company was without control or which

PROGRESS OF REGULATION

it could not reasonably have been expected to foresee. The commission considers it unreasonable to require the utility to provide additional facilities as re-

quested. This follows the views expressed in (1946) 66 PUR NS 117. *Nash-Kelvinator Corp. v. Wisconsin Gas & Electric Co.* (2-U-2428).



Capital Expended Means Original Cost

A NEW rate contract providing lower rates for interruptible gas service furnished to one industrial customer by the Missouri Power & Light Company was disapproved by the Missouri commission. It was believed that the lower rate would have an adverse effect upon the company's general rate. If the old contract remained in effect, the return would be 6½ per cent. This was regarded as a fair return for a gas company.

The commission believes it to be contrary to public interest for a company to give a voluntary reduction to one customer and thus place itself below a fair return. This case reveals a novel situation. The industrial customer uses one-half, or more, of the total gas sold by the company.

Consequently, it cannot be classified in the usual manner for rate making.

However, the commission feels that rates to any one customer are not to be judged by a return upon the investment in the facilities used to serve that customer. If this method were followed for one, it would have to be followed for all and would lead to an impossible rate situation. Furthermore, the commission points out, the various classes of customers are dependent upon each other for favorable rates.

Both the gas company and the customer desired to have the new contract rate approved. The commission holds

that the burden of proof to establish its reasonableness rests upon both the utility and the customer.

This rate case arose under a statute which provides that the commission, in fixing rates, shall consider, among other things, return upon capital actually expended. The commission interprets the phrase, "capital actually expended," to mean original cost. It says:

We can think of no way to ascertain "capital actually expended," except to find the cost of the utility plant at the time the properties were first devoted to public service or a fair price paid when the properties are acquired by a subsequent purchaser. Original cost is substantial evidence of the fairness of a subsequent purchase price if that purchase price is to be considered as a factor in fixing the price to be charged for gas. It is the considered judgment of this commission that original cost is an essential element that must be considered in every case wherein rates for gas, water, or electricity are to be fixed.

The company showed excess earnings for the past year. However, the commission refused to revise the company's rates to general customers, because of the economic uncertainties and rapidly rising operating costs. It feared that a rate reduction might reduce the company's return too much and force it to apply for a rate increase. Stable rates, as well as low rates, are desirable, the commission said. *Re Missouri Power & Light Co.* (Case No. 11,003).



Release of Restricted Fund Not Permitted Under Sliding-scale Arrangement

THE sliding-scale arrangement under which the Potomac Electric Power Company operates in the city of Washington does not permit a retroactive ad-

justment of rates. For that reason, the District of Columbia commission has denied a request by the company for the release of funds deposited in a separate

PUBLIC UTILITIES FORTNIGHTLY

cash account and earmarked for customer refunds.

The commission, in *Re Potomac Electric Power Co.* (1943) 48 PUR NS 437, ordered a rate reduction which carried through the years 1944, 1945, and 1946. Then, in June, 1947, it ordered that these rates be continued during the rate year beginning March 1, 1947, subject to the provision that there should be deducted and set up in a reserve account called "Reserve for Refund" an amount sufficient to enable the company to refund certain prescribed deductions from customer bills.

This sliding-scale arrangement has never been used to increase rates. Rate reductions have been ordered, from time to time, since adoption of the arrangement in 1925. The arrangement provides, however, for rate increases when the return falls below 5½ per cent for a 12-month period. The commission said it was clear that no retroactive adjustment of rates is contemplated.

The company, however, argued that the last order was not a rate order and that a release of the deposit would not be a retroactive adjustment of rates. The commission disagrees with this contention. The order, it said, was issued as the

result of a proceeding under the sliding-scale arrangement covering the results of operation for the past period and, although it differed in form from previous orders establishing rates, this was only because of delay occasioned by pending litigation under another order.

The company had filed a petition in October for modification of the earlier order and for the fixing of proper rates. It was shown that increased revenues available to the company failed to keep pace with rising costs. Deposits in the "Reserve for Refund" were made during October and November after the petition for release from this liability.

The commission decided that, while the company is not entitled to a release of funds deposited for the period from March 1st to September 30th, it can withdraw from the separate cash account the amounts reserved from revenues and deposited for the months of October and November.

The commission reserved for future disposition the matter of necessary and desirable modifications of the sliding-scale arrangement, for which the commission had also petitioned. *Re Potomac Electric Power Co.* (Order No. 3286, PUC No. 3468, Formal Case No. 373).



Stockholders Not Entitled to Concessions From Small Telephone Companies

THE problems confronting small rural telephone companies are discussed in an opinion of the Wisconsin commission approving a rate increase. The company has seventeen subscribers, none of whom are stockholders. It does not own a switchboard. Its subscribers are switched by the Wisconsin Telephone Company.

One subscriber, who is not a stockholder, had complained that the company required him to build his own stub line to meet the main pole line and that non-stockholders were required to pay a higher rate than stockholders. The company admitted that it charges nonstock-

holders \$1.75 a month and stockholders \$1.25 a month.

In defense, it pointed out that costs of service are in excess of \$1.75 a month and it has been necessary in recent years to make a stock assessment which results in stockholders actually paying more than \$2 a month. All subscribers, it claimed, had since organization of the company been required to pay for lateral extensions.

The commission authorized a uniform rate of \$2.50 a month to apply to both stockholders and nonstockholders, and continuance of the extension rule. The commission has ruled in similar cases that

PROGRESS OF REGULATION

it is discriminatory to apply a different rate to stockholders than nonstockholders. Stockholders, it says, are entitled to a reasonable dividend if earned. Compensation for capital should be obtained in the form of a dividend and not as a rate rebate.

It is difficult, said the commission, for small telephone utilities to raise sufficient capital to make extensions, particularly when applicants for service refuse to purchase stock. The subscriber complaining to the commission in this case had refused to buy stock. However, said the commission, he had no legal obligation to purchase stock and was entitled to service at

reasonable rates from the said company.

It is also difficult, said the commission, to determine actual cost of service of small switched-line companies because (1) maintenance may be deferred for several years and then completed in one year, (2) labor may or may not be donated, (3) depreciation accruals are very rarely set up, and (4) the annual report does not furnish much detail.

While the larger companies do not require subscribers to pay for the lateral circuit, the commission ruled this is reasonable where the company is small and capital is difficult to raise. *Re Eau Claire Valley Teleph. Co. (2-U-2528).*



Rehearing Granted to Protesting Motor Carriers

THE petition of several undertakers for a rehearing on a motor carrier application for authority to operate an ambulance and funeral service was granted by the Pennsylvania commission.

The commission ruled that their omission to file formal protests did not re-

quire that they be denied the right to participate as protestants at the hearing, as they had never received a copy of the application. *Re Nitsche, Trading and Doing Business As Punxsutawney Ambulance Service (Application Docket No. 70212).*



Higher Costs Basis for Temporary Rate Increase

MINIMUM rates for the transportation of general commodities by radial highway common and contract carriers in California were authorized to be increased on an interim basis until current cost and rate studies are available and a more comprehensive record has been made. Carriers have experienced materially higher operating costs. An increase in the minimum rates was required if the carriers were to continue to provide efficient and adequate service.

Commissioner Huls, in a concurring

opinion, stated that data adduced in a rate hearing by answers to questionnaires submitted by the commission were insufficient upon which to predicate permanent rate increases. He believed that a complete economic survey by the commission's staff of revenues and expenses, operating conditions, efficiencies, and economies, through examination of the carriers' books and accounts, would be necessary to justify a permanent rate increase. *Re Pacific Freight Lines et al. (Decision No. 40557, Case No. 4808).*



Other Important Rulings

THE California commission ordered a highway carrier to cease and desist operating when the record indicated that the defendant's policy and practice in

procuring shipping contracts had included a dedication or holding out of its service to the public and that the contracts were merely an attempt to cloak

PUBLIC UTILITIES FORTNIGHTLY

the operation as that of a contract carrier. *Re Thorkildsen (Southern Express) (Decision No. 40337, Case No. 4846).*

In approving a telephone company's request for a rate increase because of increased wages, the Wisconsin commission found that 6.3 per cent return on the company's net book value was not excessive. *Re Hollandale Teleph. Co. (2-U-2490).*

The erection of a new passenger station in New York state was considered an improvement to be paid for wholly by the railroad, with credit to be given for the remaining value of the old station, even though the station was constructed as part of a grade-crossing elimination project. *Re Delaware, L. & W. R. Co. (Cases 9329, 9814).*

A municipal water plant was authorized to increase its rates for fire protection service. The Wisconsin commission

considered the following matters: the financial position of the utility with respect to its ability to retire bonds and pay interest on the bonds; the obligation of the company to furnish reasonably adequate service and facilities; and the availability of additional funds from the village to assist in keeping the utility in a solvent condition until further general service users could be connected. *Re Village of Hawkins (2-U-2512).*

The California commission, in authorizing credit agreements with banks and the issuance of notes in order to reimburse the treasury of a public utility because of income expended for property acquisition and construction, to refund notes, and pay in part the cost of acquiring and constructing certain properties, declared that premiums paid on called bonds and on stock retired do not represent capital expenditures. *Re Southern California Edison Co. (Decision No. 40580, Application No. 28625).*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

TITLES

Cincinnati & S. Bell Teleph. Co., Building Industries Exhibit v.	(Ohio)	74
Commonwealth Teleph. Co. v. Public Service Commission	(WisCirCt)	65
Parker, Re	(Ga)	87
Rates for Gas, Electric, Steam, and Waterworks Corporations and Municipalities, Re	(NY)	79
Reidsville Teleph. Co., Re	(Ga)	87
United Teleph. Co., Moore v.	(Mo)	95
Wisconsin River Power Co., Re	(Wis)	91

INDEX

Discrimination — company regulation against private telephone exchange, 74; rate concessions to utilities, 79.	phone service, 87; free intercity tele- phone service, 95; necessity of finding rate base, 65; service sales to utility, 79.
Public utilities—company developing and operating power site, 91; wholesale service to distributors, 91.	Return—telephone company, 87, 95; un- constitutional denial, 65.
Rates—annual net profit, 65; dial tele-	Service—regulation of private telephone exchange, 74.

Public Utilities Reports (New Series) are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual Digest \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

Commonwealth Telephone Company
v.
Public Service Commission of Wisconsin

December 5, 1947

REVIEW of Commission order fixing telephone rates; reversed.
For Commission decision, see *Two Rivers v. Commonwealth Teleph. Co.* (1947) 70 PUR NS 5.

Rates, § 2 — Nature of rate making — Eminent domain power — Police power.

1. The conception that the importance and necessity for determining rate bases and fair rates of return arose from and were founded upon the doctrine that rate making by regulatory agencies was an exercise of the right of eminent domain is fallacious; rate regulation is merely one of the many manifestations of the plenary police power of the state—and not the seldom used prerogative of eminent domain, p. 67.

Return, § 16 — Unconstitutional denial — Equal protection of the laws.

2. For the state Commission to forbid utilities the right to make a fair return while affording to other lawful businesses at least the opportunity to do so, would be to deny the equal protection of the laws; and in so far as it is thus deprived, while others are permitted to receive reasonable profits upon their invested capital, such a company is deprived of the equal protection of the laws, p. 67.

Rates, § 124 — Determination — Annual net profit.

3. A Commission finding that a certain amount of dollars represents a reasonable profit for a public utility company, without finding any percentage relationship between the net profit or return and a proper rate base, is fundamentally unsound, p. 68.

Rates, § 174 — Necessity of finding rate base.

4. Decisions of the Supreme Court that rates may be based on legitimate investment, to the disregard of reproduction cost, are not to be construed to mean that there is no longer a need for a rate base at all, p. 69.

Rates, § 174 — Necessity of finding rate base — Difficulty.

5. The difficulty of finding fair value does not excuse a Commission from finding a rate base, p. 70.

Rates, § 3 — Failure to find base or fair profit — Due process.

6. The Commission, by failing to find, and by decrying its duty to find, a base upon which to fix the fair profit of a public utility in a rate case, goes beyond the four quarters of the statute which vitalizes it, and perchance impinges upon the due process clause of the Constitution itself, p. 73.

Rates, § 650 — Necessary findings.

7. The Commission, in deciding only the ultimate question whether rates

WISCONSIN CIRCUIT COURT OF DANE COUNTY

are reasonable without making findings upon contested issues of fact such as the rate base, return, and depreciation, on the ground that reasonableness is the only contested issue, does not meet the requirement of the Administrative Procedure Act, which requires that a decision shall be accompanied by findings of fact consisting of a concise and separate statement of the ultimate conclusions upon each contested issue of fact, p. 73.

Appeal and review, § 48 — Conclusions and finding of Commission — Rates.

8. The Commission's flat refusal to find a rate base and its declination of the use thereof, as a matter of law, makes it impossible for the reviewing court to comb the Commission's full opinion and choose what could be considered as findings, even though not denominated findings in so many words, p. 73.

APPEARANCES: Schubring, Ryan, Petersen & Sutherland, by William Ryan, Attorney, Madison, for Commonwealth Telephone Company; H. T. Ferguson, Chief Counsel, for the Public Service Commission.

REIS, J.: On July 31, 1947, 70 PUR NS 5, the Public Service Commission of Wisconsin rendered its 18-page opinion, culminating in an order reducing somewhat the telephone rates to be charged by petitioner Commonwealth Telephone Company at Two Rivers, Wisconsin.

We need consider the utility's challenge to the order only upon the grounds that the Commission failed to make any findings of fact at all and particularly failed and, indeed, emphatically *refused* to find a *rate base*.

To cut a utility rate is not unheard-of in this state; but for the regulatory Commission to repudiate the necessity of finding the "fair value" of the utility's property, *or some other base*, is to us unprecedented in forty years of administrative regulation — except with perhaps a permissible deviation from the rule in the case of *emergency orders* or *temporary orders pending* a determination of rate base.

The announced doctrine that the

Commission need not determine a base upon which to fix rates, may have the merit of originality but it suffers the vice of great potential danger to the consuming public or to utility investors, depending upon whose foot the shoe is on and how painfully it pinches.

The Commission's position is that all it need *find* is that the old rates were "unreasonable" and the new rates are "reasonable"; and then the Commission adds a typewritten period and that is all.

Such a summary and abrupt exercise of power by an administrative agency can mean the gouging of the public by excessive rates if the only thing legally required is an edict that the new rates are reasonable and, by the same token, it may spell confiscation of the interests of investors by the simple fiat utterance that the new rates will be reasonable.

The particular order now under review happens to involve a *rate decrease* and, by reversing the order, we are depriving the people in Two Rivers of some slight benefit. But the *principle* involved in the Commission's pronouncement is startling; and judicially to *sanction* the purported law and logic behind this order would render possible the working of incalculable

COMMONWEALTH TELEPH. CO. v. PUBLIC SERV. COM. OF WISC.

and lasting harm throughout the length and breadth of Wisconsin—in the opinion of this court which, however, predicates no pretense to perfection.

We now can drop the didactic diatribe and get down to the plain proposition that the Commission has founded itself on the law—again, of course, in our meek judgment.

What does the Commission say?

The Commission says, 70 PUR NS at p. 8:

"However, after careful consideration, we have concluded that reasonable rates are not properly arrived at merely by means of a formula whereby a percentage figure (which is deemed 'a reasonable rate of return') is applied to another figure which is termed a rate base."

The injection of "merely" makes the statement relatively innocuous, when compared with the Commission's more vigorous assertions later (*infra*).

[1] The Commission says (at p. 9):

"Both the importance and the necessity for determining rate bases and fair rates of return in utility rate regulation arose from and were founded upon the doctrine that rate making by regulatory agencies was an exercise of the right of eminent domain."

That conception is thoroughly fallacious, as we see it. We did not know that the utility's property was being taken away from it (eminent domain) when its rates were regulated. We thought, on the contrary, that the utility was *keeping* its property and being allowed to earn money on it; and that public regulation was the *alternative* to public ownership, not its equivalent. We looked upon rate regulation as merely one of the many manifesta-

tions of the plenary "police power" of the state—and not the seldom used prerogative of "eminent domain." But we get nowhere by splitting hairs on that refinement. A rose under any name has petals of which we should be chary.

[2] The next dissertation by the Commission is a thunderbolt. It properly was referred to by the utility counsel in argument as "revolutionary." The Commission goes on to say (at p. 9):

"If rate making is not the exercise of eminent domain, but of the police power, then it must follow that rates prescribed by regulatory authority are never confiscatory, even though they may be so low as to amount to an unlawful exercise of the police power; since the validity of any exercise of the police power cannot be successfully attacked upon the sole ground that it results in the destruction or in a diminution of the value of the property."

What decadence and desuetude might ensue to the public utilities of the nation—and to the consumers with them—if utility enterprises are subject to "destruction" by confiscatory rates? Shall we then go back to the oil lamp or erect a private electric light plant in each back yard?

It strikes us that for the arm of the state to forbid utilities the right to make a fair return while affording to other lawful businesses at least the opportunity to do so, would be to deny the equal protection of the laws—" . . . in so far as it is thus deprived, while other persons are permitted to receive reasonable profits upon their invested capital, the company is deprived of the equal protection of the laws." (From Chicago, M. & St. P.

WISCONSIN CIRCUIT COURT OF DANE COUNTY

R. Co. v. Minnesota [1890] 134 US 418, 458, 33 L ed 970, 981, 10 S Ct 462, 702.)

Public utilities are entitled to stay in business at a profit or they may be put out of business by public acquisition upon payment of just compensation.

[3] The Commission then proceeds in its opinion—and at this juncture we really get down to the meat in the stew. The Commission throws out a half century of rate making—as recognized in the forty-eight states and by the Federal government—and announces (at p. 10) that the rates are not based on any rate base:

"The rates which we shall prescribe in this proceeding are accordingly not arrived at by ascertaining what the level of them would have to be to afford any given percentage relationship between the net profit, or 'return' thereunder, and the value of the utility property involved—*whatever that value might be under the evidence before us.*" (Our italics.)

The Commission reiterates and pins down its point (at p. 10) that it will not deal with rate base:

"The rates herein prescribed are arrived at without determining any rate base, and without determining any specific figure as constituting a 'fair rate of return' on anything that may be claimed to be a proper rate base." (Our italics.)

Two sentences later, the Commission declares again that it will have nothing to do with rate base:

"Accordingly, there will be a determination and finding of *neither a rate base nor of a rate of return* for the purposes of this proceeding." (Our italics.)

The intervening sentence seems to reflect the Commission's philosophy and is the most phenomenally hazardous of all the utterances in its written opinion:

"The rates herein prescribed are *estimated and intended to afford* approximately an annual net profit of a determined number of dollars *which we think* it reasonable for the utility to enjoy from the operation of its business." (Our italics.)

There is the 18-page opinion stripped down to nakedness. "The rates herein prescribed are ESTIMATED AND INTENDED to afford . . . an annual net profit . . . WHICH WE THINK it reasonable for the utility to enjoy." (Our caps.)

There is where standard, base, foundation, test, guide—go out of the window—and the ipse dixit "we think" is substituted.

We hope that we are not hyper-critical in picking out the phrase "we think." The "we think" is precisely, however, the thesis of the Commission's decision. In justice to the Commission, however, let the "we think" be construed as "*we find*" that this profit is reasonable. Therein still is the fundamental unsoundness of the Commission's decision. The Commission finds *nothing except* that a certain amount of dollars represents a reasonable profit.

It is "considered" by the Commission (at p. 15) that \$12,500 annually is a "*reasonable profit.*" (Our italics.)

Reasonable profit *ON WHAT?* That is the trouble with the Commission's decision. It has no bottom. It has a numerator but no denominator.

COMMONWEALTH TELEPH. CO. v. PUBLIC SERV. COM. OF WISC.

For a long time, Wisconsin believed in the "prudent investment" theory of rate making. A utility was entitled to a fair return on the amount of money prudently invested in the enterprise, it was said. That sounded fair. That is a universal standard. Every businessman expects to receive a fair return on the money which he has put into his business, whether he runs a hardware store or an apartment building or a bowling alley.

Our supreme court of Wisconsin approved the prudent investment theory. (See *Waukesha Gas & E. Co. v. Railroad Commission*, 181 Wis 281, 296 ed seq PUR1923E 634, 194 NW 846.

However, certain decisions emanated from the Supreme Court of the United States which stressed *reproduction* cost, *not original* cost, as the basis of valuation for rate-making purposes. Particularly the conspicuous *McCardle* Case in 1926 bore down with hobnails on the proposition. *McCardle v. Indianapolis Water Co.* 272 US 400, 71 L ed 316, PUR1927A 15, 47 S Ct 144.

That proposition was that a public utility could not be limited legally to a fair return on its original investment but was entitled to have a fair return on *reproduction* cost (less, of course, depreciation). This concept of rate base—cost of reproducing the plant *new* (then deducting for accrued depreciation)—created a vacillating, ephemeral standard, which would shift with changing price levels and never would be determinable for any appreciable length of time.

Maybe the reproduction cost theory had its elements of fairness; but surely one of its evils was that it demanded a standard which became speculative

for the investor during low prices and disturbing for the public during high prices. If changing price levels were deserving of consideration, those well might be ironed out in the *rate of return*—5 per cent or 6 per cent or 8 per cent—*without* tearing to pieces the fundamental *rate base* of investment or "book cost."

The reproduction cost theory was criticized severely by certain economists and judges. Our own Wisconsin supreme court stated that the reproduction theory might be a "rank injustice" under some circumstances. (*Waukesha Gas Case*, *supra*, 181 Wis at p. 298.)

But the Wisconsin court, like other state tribunals, recognized the decisions of the Supreme Court of the United States. The moving finger writes! And Omar had written: *Repro*. That, from the highest court of the land, was the last word—*temporarily the last*, to speak in riddles which are verities.

For the moving finger moved again. Forsooth, the whole hand had changed in the interim. In 1944 there issued from Washington the *Hope* decision. "Hope" strikes many as an apt appellation. *Federal Power Commission v. Hope Nat. Gas Co.* (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281.

[4] In the *Hope* Case, the Supreme Court of the United States seems to have gone back to *prudent investment* base; in precise terms, it was "legitimate investment" base as found by the Federal Power Commission—to the *disregard of reproduction cost*.

The Public Service Commission's underlying error in the case before us is its misconstruction of the *Hope* deci-

WISCONSIN CIRCUIT COURT OF DANE COUNTY

sion. Somehow or other, our Commission gets out of that decision the idea that there no longer need be a rate base at all. That sequitur ("it follows") we just do not follow.

The Federal Power Commission in the Hope Case expressly *found* a rate base of \$33,712,526 and gauged a fair rate of return as $6\frac{1}{2}$ per cent. *Here were both numerator and denominator.* (*Supra*, 320 US at p. 599, 88 L ed at p. 343, 51 PUR NS at p. 198.)

The circuit court of appeals had *reversed* the Federal Power Commission on the Commission's theory that the proper rate base was *actual legitimate cost*, without regard to reproduction cost. *Hope Nat. Gas Co. v. Federal Power Commission* (1943) 47 PUR NS 129, 134 F2d 287.

The Supreme Court of the United States in turn reversed the circuit court of appeals, thus reinstating the Federal Power Commission's base of "actual legitimate cost"—irrespective of reproduction cost. (*Supra*, 320 US 591, 88 L ed 333.)

The United States Supreme Court in the Hope Case was not discarding the requirement that there must be a rate base; nor did it do so in another of its decisions in 1944, commonly referred to as the Pipeline Case. *Federal Power Commission v. Natural Gas Pipeline Co.* (1942) 315 US 575, 86 L ed 1037, 42 PUR NS 129, 62 S Ct 736.

In the Pipeline Case, like in the Hope Case, there was a base. The Federal Power Commission distinctly found a "Total Rate Base" in the amount of \$74,420,424 and allowed a rate of return of $6\frac{1}{2}$ per cent. *There again were both numerator and denominator.* (*Supra*, 315 US at

pp. 587, 597, 42 PUR NS at pp. 138, 144.)

The point is that there is, and always has been, a BASE in the fixing of public utility rates. That is where the decision of the Public Service Commission of Wisconsin, now under review, is unique in the decades of rate making. There is no base found or even faintly suggested in the Commission's decision. The Commission's eighteen pages go through a sieve and leave an emptiness.

If the Commission had found a prudent investment base or even if it had determined a reproduction cost—and certainly if it had reached a reasonable compromise between the two—and then calculated a fair profit or return *on the base thus declared*—this court probably would not and could not have reversed the Commission's order.

We will go so far as to say the following, though this may be heterodox: If the Commission had given us a concrete finding of the relation between *cost* of service and *value* of service—which a few writers advocate as a standard—then at least we would have had something *factual* to chew on, whether or not it might prove palatable, as a matter of law.

But there is nothing—no criterion—no guide—no finger to point the way—no beacon to light the path. To make the metaphors more miserably metaphorical, there is not the flicker of a match! *We fly blind.*

[5] The Commission, in its brief of counsel, remonstrates against the difficulty and vulnerability of a rate base.

We realize that—unless book cost less depreciation reserve could be taken as a base, which is rather easy to as-

certain—there is considerable work involved in arriving at the valuation of a public utility's property. We studied (as counsel) for five years on one such valuation. That was in those halcyon days before we turned to the tentacle-clawing vicissitudes of the bench.

The difficulty of finding "fair value," however, is not an alibi to the Commission in the particular case at bar. This Commission had a "fair value" on this very utility's property at this same Two Rivers exchange. The "fair value" was found in the Commission's 1945 order. The value found was \$210,000" . . . it is considered that a rate base of \$210,000 is fair and reasonable for the purposes of this proceeding." (Commission file 2-U-2009, Order of December 29, 1945, 61 PUR NS 503, 506.)

That was only nineteen months before the Commission's present order was issued. It would seem comparatively simple to sum up the net additions to the plant during the past nineteen months—then allow for augmentation, if any, in accrued depreciation—and reach the "fair value" as of July 31, 1947, 70 PUR NS 5—the date of the order now under review.

The Commission, on the contrary, disavowed its own accepted precept of rate making. *It outlawed rate base.* It denied the need of finding fair value—or of making any findings whatever, other than the elicitation of the end result that old rates were unreasonable and new rates are reasonable.

In this 1947 philosophy the Public Service Commission has abandoned the "Wisconsin idea" of regulation by administrative Commissions whose findings of fact the courts may not set

aside, if such findings are sustained by any credible ("substantial") evidence.

Therein, for example, lies the power of the Industrial Commission. It virtually is impossible to reverse the Industrial Commission on a finding of fact in a workmen's compensation case. The Industrial Commission—let it be said, however—invariably makes positive findings that the injured workman did fall from the ladder or that he actually has silicosis or septicemia, and that he was totally disabled between named exact dates, or that his permanent partial disability is 20 per cent, etc., etc. The Industrial Commission does not merely say: "The workman wins the case for \$2,000 and the employer and his insurance carrier lose it."—*Finis.*

The Public Service Commission, by its 1947 innovation, is sacrificing its former great power to lay down findings of fact, which compel respect by the courts. The Commission is rejecting its important right to be the judge of the credibility of witnesses and the qualifications of experts.

For instance, if the company's engineers introduce a value of \$250,000 but the Commission's staff says "No, the value is only \$200,000"—and the Commission finds the lower figure or reaches a base somewhere in between what the company insists upon and the Commission's men testify to—then the finding of value by the Commission just about becomes final, unless the Commission has committed some error of law (not mere misjudgment of fact) or its finding is patently arbitrary—a conclusion which no judicial body "judicially" should announce, except under unusual conditions.

The Commission by-passes its duty

WISCONSIN CIRCUIT COURT OF DANE COUNTY

when all it finds is that the old rate was "unreasonable" and the new rate is "reasonable." Why then have an 18-page "decision"? Why not categorically say in those half-dozen words—"old rate unreasonable"—"new rate reasonable"—and let it go at that?

We do not want to appear truculent in our criticism of the Public Service Commission. That Commission was "our baby," in the quinquennium of Wisconsin's Dave Lilienthal and "Cap" Krug and other now national notables. That Commission was and—we hope—still is, and will continue to be, one of the most highly regarded regulatory Commissions in the United States.

We are concerned, however, with an indefinitely bigger perspective. If the Wisconsin Commission is *sound* in its stand that all it need essay is that its prescribed rate is "reasonable"—then the dilemma is inevitable: Either judicial review becomes *impotent* because there is nothing tangible for a court to "review" and thus the Commission's discretion over rates becomes unbridled; or *else* the whole affair is dumped into the court's lap for the *judge* to weigh the evidence and the *judge* to decide the reasonable rate (and in that event we might as well abolish the Commission).

Either horn of this dilemma impacts a crash into the ideals which both Commissions and courts of this state have held since the beginning of regulation.

The Wisconsin idea—which we have been proud for so long to hold out to the nation—is that the legislature placed Commissions in the capitol, which Commissions were the fact-finding bodies, thus to some extent abro-

gating preëxisting power of the courts in that connection. The court does not find. The Commission finds. The court reviews; and the court's review is limited.

Two of the most famous decisions on administrative law have come from our Wisconsin supreme court, upholding—respectively—the Wisconsin Railroad Commission of 1905 and the Wisconsin Industrial Commission of 1911—which were among the first Commissions in their fields in the country. *Minneapolis, St. P. & S. Ste. M. R. Co. v. Railroad Commission* (1908) 136 Wis 146, 116 NW 905, 17 LRA NS 821; *Borgnis v. Falk Co.* (1911) 147 Wis 327, 133 NW 209, 37 LRA NS 489.

Law, it is said by these decisions, was left to the courts. The administrative commissions, however, were to be the experts on practicalities. The Commissions were the "triers of the facts."

That was, that is, and—so far as it rests within this court's meager power—that will be in the future the Wisconsin idea. We should not retrogress to the antithesis of either permitting the courts no power of review over the Commission (because the Commission offers no findings to review) or of tolerating full power in the court to compute the rate base, etc., and thus as a court to the *fact finder*. Neither of these extremes is the Wisconsin idea. The in-between, *is*. We live, often wisely, on the middle ground.

True it is that the Commission may not have to make a finding upon every detail, e.g., the technical factor of terminal toll segregation, in a given telephone case—or amortization. Nevertheless, it would appear almost axio-

COMMONWEALTH TELEPH. CO. v. PUBLIC SERV. COM. OF WISC.

matic that there must be at least one finding in a *rate case*, namely, as to *rate base*.

[6] Our conclusion is that by failing to find, and by decrying its duty to find, *a base upon which to fix the fair profit*—the Commission has gone beyond the four quarters of the statute which vitalizes it; and perchance has impinged upon the due process clause of the Constitution itself.

[7, 8] There is a further ground—of lesser moment—for setting aside the Commission's decision. The new "Administrative Procedure" act (passed in Wisconsin 1943) provides that a Commission's decision *shall be accompanied by findings of fact and conclusions of law*.

227.13 reads: "Every decision of an agency in a contested case shall be in writing accompanied by findings of fact and conclusions of law. *The findings of fact shall consist of a concise and separate statement of the ultimate conclusions upon each contested issue of fact without recital of evidence.*" (Our italics.)

There were contested issues of fact in this Two Rivers Case.

THERE CERTAINLY WAS THE "CONTESTED ISSUE" ON RATE BASE!!!

There were other contested issues, e.g., as to amount of working capital, deferred maintenance, composite depreciation rate. ("Going value" mentioned by the utility, *may* be a question of law rather than fact.)

We are impelled to revert to a point mentioned above. If upon the contested issue of depreciation rate, the Commission's accountants and engineers—after careful study of age and life—put down 3.5 per cent as the com-

posite rate but the company looked to the more liberal allowance of 4 per cent, giving more weight to such factors as inadequacy and obsolescence—and the Commission found 3.5 per cent—this court, or any court, ought to feel itself commanded to approve the Commission's finding, unless that finding is beyond the realm of rational thinking. (By way of further interjection, it may be observed that $\frac{1}{2}$ per cent superficially seems small—but, *in allowable operating expense*, a difference of \$1,000 is tantamount to *twenty* times that much in *rate base*, assuming a 5 per cent return for the sake of rough and ready mathematics.)

The Commission did not make findings "upon each contested issue of fact" and thus apparently has not complied with the new administrative procedure statute:

The Commission argues that its bare finding of reasonableness is sufficient, since it maintains that reasonableness was the only contested issue.

We cannot agree with this naïve interpretation of the legislature's intent in calling for ultimate conclusions "upon each contested issue." (Our italics.)

When the Commission declared that the old rate was unreasonable and that the new rate was reasonable—it *in effect was reciting only that the utility had lost the case*. Was this a *finding* "upon each contested issue of fact"? No, this was the Commission's *sum total* as to the outcome of the controversy.

To interpret the statutory mandate "for ultimate conclusions upon each contested issue of fact" as being identical with an *adjudication* as to which side won the case—is to attribute futil-

WISCONSIN CIRCUIT COURT OF DANE COUNTY

ity to the direction by the legislative branch of government to the Commission in regard to findings on *all* issues.

Wisconsin Power & Light Co. v. Public Service Commission, 231 Wis 390, 29 PUR NS 500, 284 NW 586—relied on by the Commission as authority why it need not make findings—is distinguishable, for two reasons: (1) That was an *acquisition* case. The basic *fact* was value. The Commission *FOUND* value!! (“Just compensation.”) That is the nub in the case before us. The Commission did *not* find value! (2) Incidentally, the Wisconsin Power & Light Case was decided *before* Wisconsin’s new Administrative Procedure act became the law of this state. The mandate now is for a finding upon “each” contested issue.

We might have been willing to comb the Commission’s whole opinion and choose what could be considered as findings, even though *not* denominated

findings in so many words. That strictly would not comply with 227.13, which requires findings by the Commission in “concise” terms, stated separately. Such, however, has been a practice of reviewing courts, for instance, under Equity Rule 70½, which requires findings of fact by a Federal court in injunction cases. The court’s *opinion* has been treated as the findings, though no separate findings existed. That might have happened in our present review of the Commission’s opinion. We say “might”; but “might” has been made impossible by the Commission’s flat refusal to find a rate base and its declination of the use thereof, as a matter of law.

The Commission’s order of July 31, 1947, 70 PUR NS 5 should be reversed.

It is so *ordered*.

Counsel for petitioner may prepare and submit to the attorney general the judgment.

OHIO PUBLIC UTILITIES COMMISSION

Building Industries Exhibit, Incorporated

v.

The Cincinnati & Suburban Bell Telephone Company

No. 13118
October 27, 1947

COMPLAINT by office building owner against telephone company regulation limiting private branch exchange service; dismissed.

BUILDING INDUSTRIES EXH., INC. v. CINCINNATI, ETC. TEL. CO.

Service, § 463 — Telephone — Regulation of private branch exchange — Validity.

1. A telephone company regulation limiting the extent of a building's private branch exchange service is not unreasonable, p. 76.

Discrimination, § 173 — Company regulation against private telephone exchange — Hotel service.

2. A telephone company tariff limiting the operation of a private branch exchange in an office building, while permitting a similar service for permanent hotel residents, is not unjustly preferential because of the difference in the relationship between the manager and guests in a hotel and the relationship between manager and tenants in an office building, p. 76.

Service, § 463 — Private branch telephone exchange — Company regulation — Reasonableness.

Discussion of the reasonableness of telephone company regulations limiting the operation of private branch exchanges, p. 77.

Service, § 135 — Denial — Violation of company regulation.

Statement that the rule that public utility service when once established should not be discontinued unless sufficient reason is shown therefor applies to the abandonment or substitution of utility service and not to the discontinuance of a service being conducted in violation of company regulations, p. 78.

By the COMMISSION: This matter arose on complaint of Building Industries Exhibit, Inc. against The Cincinnati and Suburban Bell Telephone Company filed May 24, 1946, relating to an order of the Public Utilities Commission of Ohio approving a filing by the defendant of First Revised Sheet No. 1 of § 11 of its General Exchange Tariff, P.U.C.O. No. 3 to replace Original Sheet No. 1 of the above section of the General Exchange Tariff, effective December 15, 1945.

The original tariff, paragraph 12, under the heading "Joint User Service," reads: "Not more than four joint users are allowed in connection with individual or party-line flat rate service or for each flat rate private branch exchange trunk line."

This was changed by the filing of December 15, 1945, to read "Not more than four joint users are allowed in connection with the service of any sub-

scriber. Note: Subscribers who as of December 15, 1945, were furnished in excess of four joint users in connection with their service, in accordance with prior provision of this General Exchange Tariff, shall be permitted to retain, as a maximum, at their then existing premises, the number of joint users furnished as of said date."

Complainant operates a 7-story loft building in Cincinnati, remodeled in 1927 to provide small office spaces, which originally were largely rented to sales representatives of foreign business concerns. Complainant furnished free light, heat, and janitor service. As for telephone service, complainant entered into an agreement with defendant for installation of a central switchboard with service limiting free outgoing calls to 200 a month and imposing a charge of 4 cents per call for each outgoing call above 200. This arrangement remained in effect until the

OHIO PUBLIC UTILITIES COMMISSION

filing of the revised tariff complained of, during which time complainant's tenants had increased to the point where there were 139 telephones on two private branch exchange switchboards served by thirty trunk lines furnished by defendant.

For purposes of brevity it may be conceded that the factual situation is not disputed. Complainant's witnesses gave a very fair statement of their position. It is conceded in defendant's brief (p. 3) that, "So far as the facts before the Commission are concerned, we see very little basis for controversy."

[1, 2] The complainant contends that the amendment effective December 15, 1945, is an unjust and unreasonable restriction of service, heretofore furnished to complainant for more than eighteen years, and is unjustly preferential in so far as the message rate service and listing in the telephone directory is continued with regard to permanent tenants of hotels, maintaining a private branch exchange.

The defendant maintains that complainant is engaged in the resale of telephone service, thereby depriving this Commission of its jurisdiction over rates and service. Defendant also claims that the service contracted for was "private branch exchange" service on a metered rate basis and that such joint user service was in violation of Par 4 of § 11, Original Sheet 1, effective March 1, 1926, which provided: "The joint user must be located on the subscriber's premises and in the same office or suite of offices as the subscriber, or in an office immediately adjacent to and connected therewith."

Defendant by way of counter-com-

plaint in its answer requests permission to file an amendment to change Original Sheet 1, § 11, title "Joint User Service" as amended on December 15, 1945, by eliminating from the language of Subdivision 12 of said Original Sheet 1 of § 11 as amended on December 15, 1945, the following:

"Note: Subscribers, who as of December 15, 1945, were furnished in excess of four joint users in connection with their service, in accordance with prior provision of this General Exchange Tariff, shall be permitted to retain, as a maximum, at their then existing premises, the number of joint users furnished as of said date."

claiming that the use of service by those subscribers having more than four joint users constitutes a resale of telephone service.

The chief question before the Commission is whether or not the tariff rules and regulations are reasonable.

The most recent case in point is one decided by the Missouri Public Service Commission on July 11, 1947, being Case No. 10,972 entitled *Williams & Calmer v. Southwestern Bell Teleph. Co.* 70 PUR NS 35. The factual matters in that case are practically identical with the instant case. The Missouri Commission held that the furnishing by an office building owner of telephone service to tenants through a P. B. X. switchboard, to which telephones of tenants were connected, with the owner paying all bills to the telephone company and charging tenants a flat amount per month was a resale of telephone service by an agency not subject to the Commission's jurisdiction and violative of the telephone company's rules as to use of service.

The Missouri Commission in the

BUILDING INDUSTRIES EXH., INC. v. CINCINNATI, ETC. TEL. CO.

same case was faced with distinguishing between the type of service involved in the complaint and that rendered to hotels and apartment hotels. It did so upon the basis of a decision by the Pennsylvania Public Service Commission in 1015 Chestnut Street Corp. v. Bell Teleph. Co. PUR1931A 19. See also Bulletin No. 3696 containing a similar state of facts upon which the Pennsylvania Commission held that the tariff provisions were reasonable and should be enforced. In the Chestnut Street Case, *supra*, the Pennsylvania Commission called attention to an earlier case (Highway Emergency Service v. Bell Teleph. Co. 6 Pa PSC 609, PUR1924B 843, 845) to distinguish between hotel service and a service here involved, and quoted as follows:

"It was suggested at the hearing and stressed in the argument that the respondent now permits the resale of its service to the guests of hotels; but it is obvious that the conditions of hotel life and the relationship between the proprietor of a hotel and those who are temporarily or permanently residing in his rooms, are wholly different from those between the complainant and members of the public using the highways. Under present-day conditions, and in order that it may perform its function in our social system, it is necessary that a hotel be equipped for telephone service for the use of the proprietor or management and also for the use of guests occupying rooms in the hotel. A telephone in a sleeping room of a hotel is required by the guests for the purpose of communicating telephonically with the proprietor or management and also, on occasion, with other persons outside of the hotel. As

the proprietor controls the premises the telephone company must contract with him no matter who uses the service."

The New York Department of Public Service, State Division, Public Service Commission in a similar case Gelsam Realty Co. v New York Teleph. Co. PUR1929A 224, 226, gave the following reasons in support of a similar rule involved, which we quote as follows:

"The outstanding reasons to my mind, against the complainant's contentions here are found in a consideration of the situation which would exist if applications such as his were granted:

"(1) It would establish a third party between the telephone company and the users of its service.

"(2) The middleman would use only such equipment as he considered necessary.

"(3) All of the company's dealings with the real users of its service would have to be through the medium of this third party over which the company would have no control, since presumably the middleman would not be considered a utility.

"(4) Many difficulties would be thrown in the way of providing efficient service, not only from the standpoint of the telephone utility but also in the way of regulation, and service complaints would undoubtedly multiply with very little chance of reasonable or timely correction and adjustment.

"(5) Further, if the practice were acknowledged and followed, there seems to be no limit to such utility service, because it could not be restricted to one building or a group of

OHIO PUBLIC UTILITIES COMMISSION

buildings or even to an entire city block."

In the instant case it is the contention of the defendant, The Cincinnati and Suburban Bell Telephone Company, that service furnished to complainant over the past eighteen years has been in violation of Par 4 of § 11, Original Sheet 1, effective March 1, 1926, heretofore quoted.

Complainant contends that it is the law in Ohio that "When a public service is once established it should not be discontinued unless and until some good and sufficient reason is shown therefor." (New York C. R. Co. v Public Utilities Commission [1935] 129 Ohio St 381, 195 NE 566 and later Hocking Valley R. Co. v Public Utilities Commission, 92 Ohio St 9, PUR1916A 1062, 110 NE 521, LRA1918A 267. These cases involved abandonment or substitution of service being furnished under proper authority and in conformity with existing tariff provisions.

The Ohio Public Utility Act provides that all charges shall be reasonable and not discriminatory (Gen Code 614-13-14): and that no public utility shall give any unreasonable preference or advantage to any person or firm (Gen Code 614-15).

In this connection, the Supreme Court of the United States has held in the case of Midland Realty Co. v Kansas City Power & Light Co. (1937) 300 US 109, 81 L ed 540, 17 PUR NS 113, 115, 57 S Ct 345, that:

"But the state has power to annul and supersede rates previously established by contract between utilities and their customers. It has power to require service at nondiscriminatory rates, to prohibit service at rates too

low to yield the cost rightly attributable to it, and to require utilities to publish their rates and to adhere to them."

After carefully considering the pleadings, exhibits, testimony, briefs, and the law applicable the Commission comes to the following conclusions:

1. The service furnished Building Industries Exhibit Inc., by The Cincinnati and Suburban Bell Telephone Company since 1927 has been in violation of its tariff provisions contained in Par 4 of § 11, Original Sheet 1, effective March 1, 1926.

2. The service furnished since 1927 has been discriminatory within the meaning of the provisions of Gen. Code 614-13-14.

3. First Revised Sheet No. 1 of § 11 of defendant's General Exchange Tariff P. U. C. O. No. 3 and the proposed amendment thereto as requested in the defendant's cross-complaint are reasonable and just and correct past discriminatory practices wrongfully permitted by defendant.

4. The complaint of Building Industries Exhibit, Inc., should be dismissed and the Amendment to First Revised Sheet No. 1 of § 11 of defendant's General Exchange Tariff, P. U. C. O. No. 3 should be allowed, but in view of needs of complainant's tenants for service a period of two years from the date of this order is allowed these tenants and any others similarly situated to arrange for telephonic service.

It is therefore,

Ordered: That the complaint herein be, and the same hereby is, dismissed. And it is further

Ordered: That the amendment proposed by defendant in its counter-com-

BUILDING INDUSTRIES EXH., INC. v. CINCINNATI, ETC. TEL. CO.

plaint be allowed conditioned upon the filing of a proper tariff therefor, reserving in said tariff the right of subscribers, who as of December 15, 1945, were furnished in excess of four joint users in connection with their service, a period of two years from the date of

this order within which to make other arrangements for service.

To all of which opinion, finding, and order, the complainant and the defendant except, and their exceptions are herein noted of record.

NEW YORK PUBLIC SERVICE COMMISSION

Re Rates for Gas, Electric, Steam, and
Waterworks Corporations and
Municipalities

Case 7208

November 6, 1947

INVESTIGATION on Commission motion to determine whether its rule should be amended by eliminating exceptions permitting utilities to make special contracts not part of its rate schedules; situations justifying nonrate-schedule contracts between utilities described.

Rates, § 256 — Application of schedule — Service sales to utility.

1. A contract between public utilities for the sale, purchase, or interchange of gas, electricity, steam, or water need not be according to service classifications in rate schedules filed and posted as required by Commission rule when they are limited to service used, or to be used, by the purchasing utility in the conduct of its primary utility business or to be supplied by the utility to concessionaires who occupy space in the property of the utility and who furnish service for the convenience of the customers of the utility, p. 86.

Discrimination, § 63 — Rate concessions — To utilities.

2. Public utility companies purchasing service from other utilities are not entitled to departures from the selling utility's filed schedules open to all simply because they are in the utility business, where space in the buildings served by the purchasing companies have the characteristics of office buildings or hotels or other regular commercial enterprises not directly associated with the purchasing companies' regular business, p. 86.

APPEARANCES: Elton H. Beals, Buffalo, Attorney for Rockland Light & Power Company; Henry C. Major,

Rockville Centre, for Municipal Electric Utilities Association of New York State; Ignatius M. Wilkinson, Corpo-

NEW YORK PUBLIC SERVICE COMMISSION

ration Counsel (by William George Reed, Engineer) New York, for the city of New York; E. R. Brumley General Attorney (by T. Bronson Mewell, Assistant Counsel) New York 17, for Trustees of New York, New Haven & Hartford Railroad Company, as customers of Consolidated Edison System Companies; Louis J. Carruthers, New York, General Attorney for Pennsylvania Railroad Company and Long Island Railroad Company; Paul Folger, Chief Assistant General Attorney, and W. R. Stevens, Assistant General Attorney, New York 17, for New York Central Railroad Company as customers of Consolidated Edison System Companies; John E. Buck, Vice President and General Counsel, New York, for Hudson & Manhattan Railroad Company as customers of Consolidated Edison System Companies; M. M. Corry, New York 17, Assistant Engineer for New York Central Railroad Co.; Otto M. Buerger, New York, Counsel for Pennsylvania Railroad Company and Long Island Railroad Company; Whitman, Ransom, Coulson & Goetz (by Jacob H. Goetz and Arthur L. Webber) New York, Attorneys for Consolidated Edison Co. of New York, Inc., Westchester Lighting Company, The Brooklyn Edison Company, Yonkers Electric Light & Power Company, New York & Queens Electric Light & Power Company, and New York Steam Corporation; Charles G. Blakeslee, New York, General Counsel, Long Island Lighting Company, Queens Borough Gas & Electric Company, Nassau & Suffolk Lighting Company, and Long Beach Gas Company; Cullen & Dykman (by Jackson A. Dykman) Brooklyn, Attorneys for

Brooklyn Union Gas Company; Naylor, Foster & Shepard (by E. B. Naylor and George Foster, Jr.) New York, Attorneys for Staten Island Edison Corporation, New York State Electric & Gas Corporation, and The Patchogue Electric Light Company; Gould & Wilke (by M. S. Lockhart) New York, Attorneys for Central Hudson Gas & Electric Corp.; LeBoeuf & Lamb (by Lauman Martin) New York, Attorneys for The Niagara Falls Power Company, Buffalo Niagara Electric Corporation, Niagara Lockport & Ontario Power Company, Central New York Power Corporation, New York Power & Light Corporation, Hudson River Power Corporation, and System Properties, Inc.; Nixon, Hargrave, Middleton & Devans (by Earl I. Dey), Rochester, Attorneys for Rochester Gas & Electric Corporation.

By the COMMISSION:

General

By order of April 3, 1934, effective May 1, 1934, certain rules in Circular No. 102 which constitute the administrative provisions of the order in Case 7208 were amended. In this amendatory order Rule 2 was amended to read:

Filing and Posting Schedules and Forms of Contract or Agreement:

Rule 2. (a) Except as otherwise provided by paragraph (b) of this rule, every corporation and municipality shall file with the Commission and keep open to public inspection, in each office where applications for service may be made, schedules applicable to all territory the business of which is commonly transacted at such office,

RE RATES

showing all rates and charges made, established, or enforced, or to be charged or enforced, all forms of contract or agreement, and all rules and regulations relating to rates, charges or service used or to be used, and all general privileges and facilities granted or allowed. The same shall be readily accessible to the public at all times during office hours, and on demand by any person shall be produced for examination immediately.

(b) Contracts between public utilities for the sale, purchase, or interchange of gas, electricity, steam, or water, need not be published in schedules filed and posted at offices as required by paragraph (a) of this rule. However, if such a contract is not so published, filed, and posted, a certified copy thereof shall be filed with the Commission not later than ten days after its execution. If both parties to such contract are subject to the jurisdiction of the Commission, such certified copy shall be filed by the seller. If one of the parties is a public utility not subject to the jurisdiction of the Commission, such certified copy shall be filed by the party which is subject to the jurisdiction of the Commission.

Copies of contracts so filed shall have a title page on which shall be shown the serial number, the number of the contract to be superseded if any, the names of the parties thereto, the date of execution, the effective date, the term of contract, and the date of termination.

In compliance with Rule 2(b) utilities, when occasion required, have filed contracts with the Commission which describe the terms and conditions associated with the transfer of "gas, electricity, steam, or water" between a

vendor and vendee utility. It will be noted that the provisions of Rule 2(b) do not bear on the disposition or use of the product purchased by the vendee utility, i.e., if the purchased product is used directly or indirectly in connection with the purchasing utility's franchised business. Instances have come to the attention of the Commission where the authorized business of the vendor and vendee utility are not identical as, for example, an electric utility and a railroad utility respectively and the vendee or purchasing utility has been reselling a substantial portion of the purchased product to concessionaires or certain of its tenants who were engaged in wholly nonutility business in the vendor's franchised territory. Service to such tenants or concessionaires if supplied directly by the utility authorized to furnish such service should be billed under provisions of rate schedules filed in accordance with the provisions of Rule 2(a) quoted above. The activities of the purchasing utility, in so far as its sales to nonutility business is involved, has the aspects of submetering which presumably carries with it such advantages as the differential between sales price to tenants and purchase costs from vendors might yield.

On motion of the Commission a general investigation was ordered to determine the extent that transfers of "gas, electricity, steam, or water" between utilities are devoted to nonutility use and whether Rule 2 should be amended by eliminating the exception permitting utilities to make special contracts not part of the rate schedule or amending Rule 2 so that the foregoing exemption will be applicable

NEW YORK PUBLIC SERVICE COMMISSION

when one or more of the following conditions prevail:

"1. Where the purchasing utility resells the service in the conduct of its authorized utility business.

"2. Where the service purchased will be used directly by the purchasing utility.

"3. Where service is used for a non-utility business or is resold to tenants occupying space in a building owned or rented by the purchasing utility or a subsidiary to the utility."

Hearings in this proceeding were held on March 29th, April 12th, May 11th, June 8th, July 6th, and July 27th of 1945, at which testimony was submitted by witnesses for various electric and railroad utilities and by Mr. M. F. Orton in behalf of the Commission.

Extent of Special Contracts Involved with Nonutility Supply

At the hearings statements were made by the Central Hudson Gas and Electric Corporation, Rockland Light and Power Company, Rochester Gas and Electric Corporation, Brooklyn Union Gas Company, New York State Electric and Gas Corporation, and affiliates. These statements generally indicate that sales to other utilities in conformity with the provisions of special contracts are used by utilities in the conduct of their authorized business. In the case of the Central Hudson a small amount of electricity, includible in rent, is furnished to tenants in two of its office buildings.

Mr. J. H. Goetz, counsel for the Consolidated Edison Company and its affiliated electric, gas, and steam companies, in a statement to Commissioner Brewster said the following:

" . . . I am not an operating man

and I don't presume to know the facts from the standpoint of the operating man, but I do want to call some of the company executives who are familiar with the facts and operating conditions which I think bear upon the point to which your honor has alluded, and that is whether the exemption should apply in the case of an electric company like the Consolidated Edison Company that sells to a railroad company like the New York Central Railroad which, from its own distribution and transmission system, serves users of electricity in the Grand Central Terminal zone, which it has done for a great many years before the Consolidated Edison Company undertook to supply the New York Central Railroad. And there are other cases of that kind."

Special Contracts for the Supply of Electricity Consolidated Edison Company

At the hearings, H. C. Forbes, assistant vice president, testified for the System Electric Companies of the Consolidated Edison with respect to the special contracts between these companies or its predecessors with the New York Central Railroad, the Pennsylvania Railroad and Long Island Railroad, the Hudson and Manhattan Railroad, the New York, New Haven and Hartford Railroad, and the Third Avenue Railway Company (Third Avenue Transit Corporation—successor). These contracts were received in evidence by reference to the files of the Commission. Testimony was also submitted by representatives of the railroads, by Mr. F. M. Terry for the Consolidated Edison and Mr.

RE RATES

R. D. Martin for the New York Steam Corporation.

[Review of evidence relating to various situations omitted.]

Submetering Aspects of Railroad Resales

From the testimony it is evident that it is quite common for a utility to purchase service from another utility under a special contract and sell or dispose of some portion of this to non-utility business. It appeared that such usage was a minor factor in the majority of cases. For example, the lighting of the offices of a tenant located in a building owned by a utility. The cost of such service is normally included in the rental. However, where the usage of a particular tenant is appreciable, the railroads have been billing the tenants on a basis of metered steam or electricity. The kilowatt-hour data relative to nonutility use of the various railroads based on the testimony and exhibits in this case is as follows: [Table omitted.]

The heading "Railroad Usage" in column 2 of the table includes usage for traction, switches, pumping, battery charging, power losses in transmission and conversion, lighting for railroad offices, and minor usage by platform concessionaires not included in column 4.

The New York Central is an instance where submetering for electric and steam service to tenants is substantial and amounts to about 47,000,000 kilowatt hours for the year 1944 in the case of electricity. No data is available for the amount of steam sold on a submetered basis but the amount is probably substantial. The magnitude of this submetering is largely the

result of the size of the tract of land owned by the New York Central and the New York, New Haven and Hartford in the terminal area extending from 42nd street to 59th street including land occupied by such buildings as the Commodore, Waldorf-Astoria, Biltmore, Barclay, Chatham, and Roosevelt hotels, the Grand Central Palace, and the Graybar building. The sale of steam and electric service to its tenants by the New York Central is a continuation of the policy that existed when the railroad generated its own electric and steam power.

While the nonutility usage in the case of the Pennsylvania Railroad (most of which has its source in the 13200 volt 60-cycle purchases) is approximately 6 per cent of the purchased electric service, the load of the Pennsylvania hotel, which is owned by the railroad, is 90 per cent of the railroad's nonutility usage. The current sold to the concessionaires in the terminal building is only a fraction of one per cent of the purchased power.

The usage of electric power by tenants of the New York, New Haven and Hartford Railroad and the Long Island Railroad was estimated to be a fraction of one per cent of the original purchased power. In the case of the Third Avenue Transit Corporation, no estimate was made but the description of the usage indicated that it was a minor portion of the purchased power.

The nonutility usage of steam by the Hudson and Manhattan Railroad is for the heating of the terminal building and is not actually submetered to tenants. In the case of electric service, tenants receive unmetered current for usage such as the lighting of offices, the cost of which is included in the

NEW YORK PUBLIC SERVICE COMMISSION

rent. The remainder of the nonutility usage is sold to terminal concessionaires and building tenants and is about 2 per cent of the purchased power.

The purchasing utility, in so far as its sales to tenants engaged in nonutility activities are involved, is in effect a submetering organization and is presumably the recipient of such advantages as the differential between sales price to tenants and purchase costs for vendors might yield. The practice of the railroads' submetering steam and electric service to its tenants is different from an apartment house or office building landlord submetering steam or electric service to his tenants only in one respect; that the ordinary landlord limits his operation to a group of buildings which do not require the crossing of city streets. A railroad, because of its utility status, has certain franchise privileges which may permit it to operate its equipment in the city streets.

The contract of the Consolidated Edison Company with the Lehigh Valley Railroad (now terminated) precipitated the investigation of special nonrate schedule contracts between utilities. In this case neither the quantity nor the type of service was unusual in character. If it is considered that such a special contract (*providing for the direct supply of standard service*) is undesirable, it is believed that the factors causing such undesirability exists whether submetering is involved or not. The fact that submetering may exist in such a case will only call attention to the undesirability of such special contract more forcibly because of the revenue involved.

Discussion

The testimony of Mr. Terry indicates that where service of standard characteristics is supplied to another utility by the Consolidated Edison Company directly from its distribution system, this service is billed under the terms and conditions set forth in the filed rate schedule for usage of like character. The furnishing of service to the Lehigh Valley Railroad under a special contract in which this case had its inception, is the only instance mentioned in the record where service was supplied directly to a utility by the Consolidated Edison from its distribution system and billed under a special contract.

In the case of electric power supplied under special contract for the New York Central, the Pennsylvania and Long Island, the Hudson and Manhattan Railroad, the Third Avenue, and the New York, New Haven and Hartford railroads, the delivery exclusive of low tension supply to Hudson and Manhattan limited to 5 per cent of the total purchased, is high tension nonstandard and is converted for ultimate use for the authorized business of the railroad and nonutility business over a transmission, conversion and distribution system owned and operated by the railroads. To furnish service at the utilization voltage of the nonutility business which is connected to the railroad's distribution system, the Edison Company would either have to take over part of the present distribution system of the railroads or construct its own system. This, it is claimed, would necessarily have to be a duplication of that operated by the railroads. It was also claimed that operation of such a sys-

RE RATES

tem by the Consolidated Edison, part of which might be on the property of the railroad, may be attended with some difficulties because of the general unfamiliarity of the Edison Company's employees with railroad operation and procedure and the possibility that some troublesome questions as to labor organization jurisdiction might be introduced. In any event the complete segregation of the railroad usage from nonutility use would involve considerable expense to the railroads and the Edison Company. Segregation of utility from nonutility business is further complicated by the fact that use of some of the power purchased by the railroads as for example lighting terminal facilities, halls and lobbies, operation of building elevators, ventilation system, etc., is devoted to the joint use of the railroad and its tenants.

An example of the expense that would be involved in segregating the nonutility business has been given by Mr. Thompson of the New York Central Railroad. He estimates that to provide connections with the Edison Company's low-tension network for thirty-two locations in the Grand Central Terminal zone would entail an expense to the railroad of \$450,000 to \$500,000. This assumes that the Edison Company has adequate low tension facilities available near the present building line and the cost to that company is not included. He also testified that if the Edison Company supplied tenants directly, facilities of the railroad would be duplicated and 70 per cent of its capacity would become practically useless and thereby become an economic loss. The cost of these facilities was stated to be about \$3,260,000.

Steam is furnished to the Hudson and Manhattan Railroad and the Pennsylvania Railroad on the basis of charges identical to those in Service Classification #2 of the steam corporation's filed rate schedule. In both instances the boiler plant is leased under the terms of the special agreement and the conditions differ from the standard form of lease in the filed rate schedules in so far as certain special provisions bearing on the operation of the boilers, the termination of contract, emergency operation and "sendout" steam are involved. The boiler rentals of Hudson and Manhattan are the same as in the standard form of lease in the filed rate schedule and slightly less in the case of the Pennsylvania Railroad because of certain operating conditions.

The Hudson and Manhattan does not resell any steam but evidently furnishes steam to tenants in Hudson Terminal as part of rental. The steam distributed by the Pennsylvania Railroad Company is used for terminal heating and railroad purposes and part is sold to the Pennsylvania hotel. Practically all of the distribution system utilized by these two companies is on private property with the possible exception of a connecting main under a public street to tie two buildings together, such as 30 and 50 Church street.

The New York Central Railroad on the other hand has no boiler plant facilities and no space available in the Grand Central Terminal zone for the installation of such. The Steam Corporation connects to the transmission and distribution system of the railroad at five points. Steam is supplied in the zone from this distribution system

NEW YORK PUBLIC SERVICE COMMISSION

in the various streets of the zone and is furnished to approximately twenty-four large buildings in that area. In addition to providing the transmission and distribution facilities, the railroad also provides the metering equipment at these locations. The basis of charges by the Steam Corporation was said to be slightly less than under Service Classification #2—this consideration being influenced, by the savings resulting from supplying the steam at few locations to an extensive distribution system owned and operated by the railroad. Estimates of the Steam Corporation indicate that if the railroad permitted it to extend service in the zone, it would cost about \$600,000 to supply the buildings directly. The railroad supplies steam to tenants in the zones on the same basis of charges as those appearing in the filed rate schedule of the Steam Corporation.

Conclusions

[1, 2] There are special conditions that are present in the supply of service by the Consolidated Edison and the Steam Corporation to various railroads in and around New York city, which conditions are generally not reflected in the operations of private individuals or corporations who obtain service from these utilities on the basis of filed rates. It does not seem, however, that merely because of the existence of these special conditions that nothing can be done to improve the present unjustly discriminatory situation.

It would appear proper for one utility to sell its service to another under a contract not covered by filed rate schedules open to all where the service

purchased is to be used directly by the purchasing utility for its own operations or where the purchasing utility supplies service with or without a specific charge therefor to concessionaires who occupy space in such utility's property and whose activities are a matter of convenience for and use by persons using the utilities' own service. For example, it would seem proper to include newsstands, lunch counters or restaurants, barber shops, shoe-shine parlors, novelty shops and other stores which are directly accessible from waiting rooms or other parts of a station commonly used by the traveling public. It does not seem, however, that where space in a building has the characteristics of an office building or hotel or some other regular commercial enterprise not directly associated with the purchasing utility's regular business, that purchasing utility is entitled to any departures from filed schedules open to all simply because it is in a utility business. In other words, there seems to be no reason why a utility which is a landlord for enterprises not directly associated with its utility business or as owner either directly or through a subsidiary corporation operates a business with little or no relation to its utility operations should have an advantage over other persons or corporations that are not utilities. The utility purchasing service for its own use very often may have the characteristics of use which are entirely different from those of other customers. If so, there seems no reason why such service should not be furnished either under rate schedules for this purpose or under special contracts. It does appear, however, that all other usage should be in accordance with the

RE RATES

terms of filed service classifications. A mere change of ownership of a certain property without any modification whatever in the facilities being used to service it should not result in a material change in the charges applied to such service.

It has been contended that where the railroad owns transmission, conversion, and distribution facilities, the electric company would have to take over part of such system or duplicate it in order to avoid the question of losses on the railroad facilities. It would seem, however, that the contract between the supplying utility and the railroad could provide for the separate measurement of the electricity required for nonutility usage and for the payment for such service at rates con-

tained in an appropriate service classification.

Contracts between public utilities for the sale, purchase, or interchange of gas, electricity, steam, or water need not be according to service classifications in rate schedules filed and posted as required by Rule 2 of Circular No. 102 established by order of the Commission in Case 7208, when such contracts are limited to service used or to be used by the purchasing utility in the conduct of its primary utility business or to be supplied by said utility to concessionaires who occupy space in the property of said utility and who furnish services for the convenience of the customers of said utility. All other contracts must be according to the provisions in appropriate service classifications duly filed and posted.

GEORGIA PUBLIC SERVICE COMMISSION

Re B. Parker, Owner, Reidsville Telephone Company

File No. 19419, Docket No. 8675-A
November 7, 1947

APPPLICATION by telephone company owner for authority to increase rates upon conversion from magneto to dial operation; approved.

Return, § 111 — Telephone company — Reasonableness.

1. Rates yielding a return of approximately 5.3 per cent on a telephone company's rate base were not considered unreasonable, p. 89.

Return, § 47 — Adequacy of telephone return — Absence of accrued depreciation.

2. A rate of return on telephone property with practically no accrued depreciation is in reality substantially greater than it appears, other things remaining equal, since its return on net investment will increase as depreciation accruals are accumulated, p. 89.

GEORGIA PUBLIC SERVICE COMMISSION

Rates, § 553 — Dial telephone service — Construction and maintenance costs.

3. Rural telephone rates for dial service may be higher by comparison with magneto exchanges since dial equipment requires a higher grade of construction and better maintenance of rural circuits than is necessary for magneto service, p. 90.

APPEARANCES: Grady Almond, Counsel, B. Parker, Owner, and A. B. Pogue, Engineer, for Reidsville Telephone Company; C. L. Cheney, Counsel, J. C. Kennedy, Counsel, and L. R. Nelson, Mayor, for Reidsville Subscribers; N. Knowles Davis, Chief Engineer, and R. B. Alford, Service Engineer, for the Commission.

By the COMMISSION: Mr. B. Parker, owner of Reidsville Telephone Company, made application to the Commission on July 19, 1947, for authority to increase rates for exchange telephone service upon conversion of the Reidsville, Georgia, exchange from magneto to automatic dial service as follows:

Class of Service	Present Rate Per Month	Proposed Rate Per Month
Business individual line	\$2.90	\$4.00
Business 2-party	—	3.50
Residence individual line	\$1.90	\$3.00
Residence 2-party	1.65	2.50
Rural Multiparty:		
0 to 3 miles		\$2.50
3 to 6 miles		2.75
Additional for each 3 miles thereafter		0.25¢
Rural subscriber-owned50	
Extension stations	1.00	1.50
Mileage charge beyond city limits—per $\frac{1}{4}$ mile40	.40

This application was assigned for hearing before the Commission on August 27, 1947, when it came on to be heard. Mr. Parker was directed to publish notice in two issues of the *Tatnall Journal*, giving the time, place, and purpose of the hearing, and it appears that proper notice was so published.

Mr. A. B. Pogue testified at the hearing that B. Parker had purchased a 200 line relaymatic switchboard at a cost of \$16,054.50 plus freight, storage, and installation, or a total cost of \$17,894.15 according to the application of the company. Mr. Pogue further testified that Mr. Parker was completely rebuilding the local telephone plant new throughout and he

estimated the total cost of the present work would be \$40,482.45 made up as follows:

New brick and concrete central office building, at cost	\$2,000.00
200-line Kellogg relaymatic switchboard, complete with all associated equipment, installed	17,894.15
173 Dial handset type telephones, new cost	4,532.60
173 Telephones installed	631.00
173 Station protectors	404.00
173 Subscribers' drops	1,332.10
New cable and wire plant (including 18 miles metallic rural lines .	9,435.60
Additions to pole plant (including 18 miles rural pole lines)	3,426.00
New underground conduit and manholes	828.00

Total investment in New Plant \$40,482.45

Mr. Pogue estimated that present telephone plant and equipment had a book value of \$15,300 of which \$8,750

RE PARKER

book value would be replaced by the new automatic exchange installation, leaving \$6,550 of present telephone plant in service. The estimated total cost of the new telephone facilities, including the present plant left in service, is therefore, \$47,032.45. Mr. Pogue erroneously deducted \$800 salvage value from the amount of retirement contemplated resulting in a total value of \$800 in excess of the above amount. Neither did he make any deduction for accrued depreciation on the plant remaining in service. There is no accrued depreciation on the \$40,482.45 of new plant. If it is assumed that present plant remaining in service has a depreciated value of 50 per cent, then present value of the remaining plant after conversion would be reduced by 50 per cent of old plant, or \$3,275. This would indicate a rate base of approximately \$43,757 which would be the depreciated value.

Mr. Pogue also submitted estimated revenues and expenses resulting from the operation of the Reidsville exchange after conversion, and these are shown below, together with revisions made by the Commission:

Item	Pogue Estimate	Commission Estimate
Exchange revenue	\$6,330	\$7,383
Toll revenue	2,955	2,955
	<u>\$9,285</u>	<u>\$10,338</u>
Fixed salaries	\$1,800	\$1,800
Other salaries, including automatic maintenance expert	3,600	3,140
Materials, maintenance ..	360	360
Truck and car expense	750	750
Taxes	180	180
Depreciation (4% on \$47,832.45)	1,913	1,786
	<u>\$8,603</u>	<u>\$8,016</u>
Total expense ...	\$8,603	\$8,016
Net revenue	\$682	\$2,322

The estimated exchange revenue is

calculated on the basis of residence rates 25 cents per month lower than requested by the company, which lower rates are the same as those recently prescribed by the Commission for dial telephone service in other comparable exchanges.

The estimated exchange revenue also includes revenue from 10 additional business and 25 additional residence subscribers which will be obtained after additional capacity is provided.

The item "Other Salaries" including automatic maintenance expert, is reduced to reflect the reduction in wages of a lineman which resulted from on-the-job training, and to eliminate an expense item of \$300 included therein which is over and above expenses of car and truck used in the maintenance of the property, and it is doubtful that this cost need be incurred.

Depreciation expense was computed by Mr. Pogue at 4 per cent on the total valuation of \$47,832.45 while land, station installations, and drop and block wires are nondepreciable under the Uniform System of Accounts.

The correct depreciation base is computed as follows:

Present telephone plant remaining ...	\$6,550
Cost of new telephone facilities	40,482
Total Cost	<u>\$47,032</u>
Less nondepreciable items:	
Telephone installations	\$631
Station protectors	404
Subscriber drops	1,332
	<u>\$2,367</u>
Depreciable plant	\$44,665
Depreciation expense @ 4%	1,786

[1, 2] It appears that the rates herein authorized should yield a net revenue of \$2,322 per annum on an indicated rate base of \$43,757, or a rate of return of approximately 5.3 per cent which does not appear unreason-

GEORGIA PUBLIC SERVICE COMMISSION

able for this telephone property. The company may contend that this does not represent an adequate rate of return but it should be noted that this represents a return on property with practically no accrued depreciation, and, other things remaining equal, the rate of return on net investment will increase as depreciation accruals are accumulated.

[3] The requested base rate for rural service is herein authorized, but standard mileage charges are prescribed in lieu of those contained in the application. These rural rates may appear by comparison with magneto exchanges to be higher than necessary, but good dial telephone service requires higher grade of construction and better maintenance of rural circuits than is necessary for magneto service. The Commission will insist that good rural service be provided at all times under the rates herein authorized.

After careful consideration, it is the opinion of the Commission that the application of B. Parker, owner of Hinesville Telephone Company should be granted except that residence rates should be 25 cents per month lower than requested, and standard rural line mileage charges as established by the Commission should be prescribed in lieu of mileage rates proposed and standard extension rates will be prescribed. Wherefore, it is

Ordered that the following shall be

the schedule of maximum rates for exchange telephone service in Reidsville, Georgia:

Class of Service	Rate per Month
Business individual line	\$4.00
Business 2-party	3.50
Residence individual line	\$2.75
Residence 2-party	2.25
Rural multiparty:	
From 0-2 miles beyond city limits	\$2.50
From 2-4 miles " " "	2.75
From 4-7 miles " " "	3.00
Over 7 miles " " "	3.25

Ordered further that the rate for extension telephones shall be \$1.25 per month.

Ordered further that no additional charge shall be made for handset telephones.

Ordered further that the standard extra line mileage charges prescribed by the Commission of 40 cents per $\frac{1}{4}$ mile per month on individual line service, 20 cents per $\frac{1}{4}$ mile per month on 2-party service, and 10 cents per $\frac{1}{4}$ mile per month on 4-party service are applicable to service of this character rendered beyond the Reidsville base rate area.

Ordered further that the above schedule of rates shall not become effective until the first regular billing date subsequent to the conversion of this exchange to automatic dial operation.

Ordered further that B. Parker report to the Commission the date the Reidsville exchange is cut over and the date on which the new rates herein authorized are established.

RE WISCONSIN RIVER POWER CO.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Wisconsin River Power Company

DR-11

November 19, 1947

APPPLICATION for declaratory ruling as to public utility or non-utility status of company proposing to operate hydroelectric plant; company held not to be a public utility.

Public utilities, § 49 — Wholesale service to distributors — Company developing and operating power sites.

A company acquiring and operating a hydroelectric plant at its dam site and selling electricity under contract to three companies, only two of which are public utilities selling energy to the public, is not a public utility where it makes no offer to serve the public, as this is merely the disposition of the merchantable product of its plant.

By the COMMISSION: Wisconsin River Power Company, a Wisconsin corporation, Wisconsin Rapids, Wood county, on September 2, 1947 filed with this Commission a petition requesting a declaratory ruling by the Commission upon the question of whether it is or will be a public utility of this state and subject, as such, to the provisions of Chapter 196, Statutes, as well as other provisions of the statutes applicable to public utilities of this state.

Notice of hearing was issued on September 6, 1947.

APPEARANCES: T. C. Bolliger, Attorney, Milwaukee, for the Wisconsin River Power Company; William Ryan, Attorney, Madison, for the Wisconsin Power and Light Company; T. C. Bolliger, Attorney, Milwaukee, for the Wisconsin Public Service Corporation; R. R. Cole, Secretary, Wisconsin Rapids, for the Consolidated Water Power and Paper Company.

Of the Commission staff: H. T. Ferguson, Chief Counsel, H. J. O'Leary, Chief, Rates and Research Department, and Ralph E. Purucker, Engineering Department.

The Commission has been asked for a declaratory ruling pursuant to § 227.06, Wisconsin statutes, and its rule 3(b) of the Rules of Procedure and Practice, as to whether or not the Wisconsin River Power Company is or will be a public utility of this state and subject as such, to the provisions of Chapter 196, Statutes, as well as other provisions of the statutes applicable to public utilities of this state.

Petitioner, Wisconsin River Power Company, is a Wisconsin corporation, organized on April 12, 1947, having its principal office in the city of Wisconsin Rapids, Wood county, Wisconsin. The purposes for which it is organized include, among other things, constructing, owning, and operating dams and hydroelectric plants, produc-

WISCONSIN PUBLIC SERVICE COMMISSION

ing and selling electric energy and power, and doing all things necessary and incidental thereto. It was organized pursuant to a contract dated January 9, 1947, between Consolidated Water Power and Paper Company, Wisconsin Power and Light Company, and Wisconsin Public Service Corporation, for the purpose of acquiring two dam sites owned by Consolidated Water Power and Paper Company located on the Wisconsin river, referred to in said contract as Petenwell and Germantown (the name of the Germantown site having since been changed to Castle Rock), and for developing such sites for the production of electric energy through hydroelectric plants to be constructed, owned, and operated by the petitioner, all such energy to be sold to the three contracting companies, they having agreed that the development of both of said sites is physically and financially feasible.

The petitioner's presently authorized capital stock is \$500,000, consisting of 5,000 shares of common stock of the par value of \$100 each. To comply with the statutory requirements relative to Wisconsin corporations, Consolidated Water Power and Paper Company has initially subscribed to \$250,000 thereof and has paid in at least \$100,000 by conveyance to petitioner of the said Petenwell and Castle Rock dam construction sites and a portion of the other real estate necessary in connection with operation of such dams. It is now proposed that by appropriate corporate action, petitioner's authorized and outstanding common stock shall each be increased to amounts presently estimated at approximately \$4,500,000, such increase

to be acquired by the three contracting companies, in accordance with their respective obligations and rights set forth in said contract in respect to the \$3,000,000 of capital stock referred to therein, so that each of them will hold approximately one-third of such stock, or such other proportion as may result from agreements between them. If determined to be feasible and desirable, preferred stock may be issued by petitioner to others than the contracting parties in lieu of the portion of such \$4,500,000. The total capital required by petitioner for its purposes aforesaid will be substantially in excess of said amount, and it is expected that the balance of funds not provided by the issuance of stock will be obtained by the sale by petitioner of its mortgage bonds to one or more institutional investors.

Consolidated Water Power and Paper Company is a Wisconsin corporation, having its principal office in the city of Wisconsin Rapids, Wood county, and is engaged in the manufacture and sale of paper pulp and paper products, and is not a public utility as defined in the Wisconsin statutes. Wisconsin Power and Light Company is a Wisconsin corporation having its principal office in the city of Madison, Dane county, and Wisconsin Public Service Corporation is a Wisconsin corporation having its principal office in the city of Milwaukee, Milwaukee county, and both of such companies are public utilities as defined in the Wisconsin statutes and are engaged, among other things, in generating, disposing, and selling electric energy to the public.

It is contemplated that the Petenwell site will be developed first and that

RE WISCONSIN RIVER POWER CO.

Consolidated Water Power and Paper Company and Wisconsin Public Service Corporation, which will use the entire firm and dump power produced at said site, will pay therefor at rates to be based upon the costs at that plant. When the Castle Rock plant is completed, the total output of electric energy from both plants is to be purchased and used by the three stockholder-corporations in such proportions as they shall agree upon, and the rates based upon the available or total costs at both plants. The electric energy purchased by Wisconsin Power and Light Company and Wisconsin Public Service Corporation will be distributed and sold by them to the public. The electric energy purchased by Consolidated Water Power and Paper Company will be used in its manufacturing operations. Petitioner does not intend to sell or distribute energy to any corporation or persons other than the aforesaid three companies. The territory within which the Petenwell and Castle Rock sites are located is entirely rural and to the extent that electric service is available to the public therein, it is and will continue to be furnished by Wisconsin Power and Light Company.

The petitioner proposes to make application to the Federal Power Commission under Part I of the Federal Power Act, for license to construct, operate, and maintain such dams on the Wisconsin river, which has been judicially determined to be a navigable river subject to the provisions of said act, and also to make application for such permits as may be needful under Chapter 31 of the Wisconsin Statutes.

It is proposed that petitioner shall own only the said hydroelectric sites

and generation facilities, and shall not own or construct any transmission or distribution facilities. Any transmission lines necessary to be built to connect petitioner's plant with the facilities of the said three companies, which are to take such electric energy, are to be constructed and owned by one or more of the utilities involved. The electric energy from said plants will be transmitted to Consolidated Water Power and Paper Company by means of facilities, a portion of which may be owned by its subsidiary, Consolidated Water Power Company. It is contemplated that all or a portion of petitioner's office personnel, clerical and technical service, and office facilities shall be supplied by Consolidated Water Power and Paper Company.

Petitioner desires to sell the output of its facilities and engage in other operations as above stated, and desires to commence construction of said facilities as soon as practicable. However, it alleges that it is in doubt as to whether it is a public utility as defined in the Wisconsin Statutes, and particularly in § 196.01 thereof, and consequently is in doubt as to the applicability to it of the various statutes and the rules of this Commission relating to public utilities, stating that unless such statutes and rules are applicable to the petitioner, submission thereto would constitute an unnecessary burden on petitioner for the reasons, among others, that such submission would put petitioner to a large expense for the service of employees, agents, and other representatives in connection therewith, and for substantial fees and assessable expenses of this Commission. Petitioner has, therefore, requested that this Commission issue a

WISCONSIN PUBLIC SERVICE COMMISSION

declaratory ruling with respect to the applicability to it of the aforesaid statutes and rules.

Under the facts in this case, the petitioner proposes to serve no one as a member of the public. It will sell a part of the electrical energy produced by it to each of the three contracting parties. It makes no offer to serve the public which could be accepted by any member of the public. The disposition of its electrical energy under a contract is merely the disposition of the merchantable product of this plant. The above language was used by our supreme court in *Union Falls Power Co. v. Oconto Falls* (1936) 221 Wis 457, 460, 265 NW 722. The court in that decision further stated:

"The fact is the plaintiff company does not hold itself out as being able, ready, and willing to serve the public. It has no schedule of rates to be charged for such services. If a customer should present itself demanding service, it has no schedule of rates which would be applicable to such a situation. The fact that the plaintiff company furnishes electrical energy to the city of Oconto Falls, which in its proprietary capacity, acting as a public utility, in turn distributes it to the public, does not make the plaintiff company a public utility. If that were true, then any company furnishing power to a public utility would itself

become a public utility instantaneously by force of law. So far as it appears from the record upon the expiration of its contract the plaintiff company will be under no obligation to furnish further service except upon such terms as may be agreed upon between plaintiff and the city of Oconto Falls."

The court has made the same determination in matters of a similar nature. *Central Wisconsin Power Co. v. Wisconsin Traction, Light, Heat & P. Co.* 190 Wis 557, PUR1927A 76, 209 NW 755; *Chippewa Power Co. v. Railroad Commission* (1925) 188 Wis 246, 205 NW 900.

The Commission feels that petitioner's position and that of *Union Falls Power Company* are identical and that the decision of the court in that matter governs its ruling in the proceeding before it.

The prevailing facts and circumstances in this proceeding are such that the Commission must rule that petitioner is not a public utility.

Ruling

The Commission therefore rules:

That the *Wisconsin River Power Company* is not a public utility as defined in § 196.01, *Wisconsin Statutes*, and, therefore, not subject to the provisions of the *Wisconsin Statutes* governing such utilities.

MOORE, MAYOR, v. UNITED TELEPHONE CO.

MISSOURI PUBLIC SERVICE COMMISSION

Dr. M. H. Moore, Mayor, et al.

v.

United Telephone Company

Case No. 9721

October 8, 1947

COMPLAINT by subscribers against charges for telephone toll service; dismissed.

Return, § 111 — Adequacy — Telephone exchange.

1. Earnings of a telephone exchange amounting to 1.98 per cent of the claimed value of the property and equipment are inadequate, p. 96.

Rates, § 573 — Telephone rates — Free intercity service — Effect on general subscribers.

2. General subscribers of a telephone exchange who do not use toll service should not be asked to pay rates necessary to give the company a fair return and pay in addition an amount sufficient to cover the cost of toll service rendered on intercity lines without cost, p. 96.

Rates, § 543 — Telephone — Classes of service — Allocation of burden.

3. Proper telephone rate making requires that each class of service bear a proper share of a utility's rate burden so that the rate structure may be fair to all consumers, p. 96.

By the COMMISSION: This case is before the Commission upon receipt of a petition signed by users of the telephone service furnished by the United Telephone Company through its exchange located at Dearborn in Platte county, Missouri.

The complainants claim the defendant, a public utility company furnishing telephone service in a number of towns in the state of Missouri, including the town of Dearborn, is furnishing service through the Dearborn exchange at a higher rate than it is furnishing like service through other exchanges in that county, namely, the

exchanges of Camden Point, Edgerton, and Weston.

After due notice, the case was heard at Platte City and submitted upon the record then made.

The evidence indicates that the complainants are primarily complaining that they are being discriminated against because they are not able to secure toll service free between Dearborn and other exchanges served by the defendant company, whereas in some of the other towns served by it, such as Edgerton, the subscribers were able to secure intercity toll service without charge. They also indicate

MISSOURI PUBLIC SERVICE COMMISSION

they object to the rates charged for local service, but are primarily interested in the fact that they have to pay toll for telephone messages sent from the Dearborn exchange to the other towns served by the defendant.

It appears from the evidence that the reason for this difference is historical. A number of years ago, party lines were connected between Dearborn and other towns in that county and arrangements were made to have the line terminate at two switchboards, one at Dearborn and the other at some other exchange in the county. That continued with some of the lines for a number of years. As time passed, these lines were gradually converted from intercity party lines service, with the free service continuing in some instances, to toll line service. The lines rendering free service out of Dearborn were changed to toll lines, owned by the defendant.

[1, 2] The complainants state the service is very satisfactory, both local exchange service and toll service. It is merely a matter of rates or charges made for the service that is the basis of their complaint. After hearing the complainants in full, the defendant by its Exhibit "1" shows that the total revenues received at the Dearborn exchange including toll, amounted to \$2,998.58 for a twelve months' period and that the expenses incurred in furnishing the service for the same period amounted to \$2,325.40, leaving for depreciation and return \$673.18. That amounts to 1.98 per cent of the value

as claimed by the owner of this exchange in the amount of \$34,063.67. This shows that the earnings of the defendant at this exchange were then inadequate.

[3] Should it appear that further investigation is desirable, it should be borne in mind that the Commission would seek to determine the cost of service at each exchange served, that is, what the rates should be for each class of service rendered, including the cost of rendering toll from this exchange to other stations in the county. It is not fair to ask the general subscribers of an exchange who do not use toll service to pay rates necessary to give to the defendant company a fair return and pay in addition to that an amount sufficient to cover the cost of toll service rendered on the intercity line without cost. Proper rate making requires that each class of service shall bear the proper charges due in order that the rate structure may be fair to all patrons of the exchange. That being true, we do not see that further investigation should be made relative to this complaint, and find the complaint should be dismissed.

It is, therefore,

Ordered: 1. That the case be and is hereby dismissed.

Ordered: 2. That this order shall take effect on this date and that the secretary of the Commission shall forthwith serve on all interested parties herein a certified copy of this order.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



\$66,000,000 Program Proposed By Bell Telephone Co. of Pa.

A 1948 expansion program calling for the expenditure of \$66,000,000, largest in the history of the Bell Telephone Company of Pennsylvania, was announced recently by Francis J. Chesterman, president.

Under the program 200,000 additional phones and approximately 600,000 miles of wire will be added to the state's network. The program also calls for erection of twenty new central office buildings, of which twelve are to be completed next year.

Consumers Power Co. to Spend \$40,681,600 on Expansion

CONSUMERS POWER COMPANY is planning a \$40,681,600 construction and system expansion program for 1948. This is the largest one-year construction program in the company's history.

Of the planned 1948 outlay, \$17,829,200 is to go for construction, enlargement, and improvement of power plants, with much of this sum to go into the new B. C. Cobb plant, now under way at Muskegon, Michigan. This is to go into operation in September, with its initial capacity to be two 60,000 kilowatt generating units. Another 60,000 kw. machine is scheduled for this plant late in 1949.

Transmission lines and substations will take \$6,744,000, distribution lines \$10,650,000, and improvements and extensions to gas department facilities will take an estimated \$2,227,800, exclusive of the storage field and transmission line projects of the Michigan Gas Storage Company, a subsidiary, which is developing one of the country's largest natural gas storage fields in Clare, Osceola, and Muskegon counties.

Taylor Forge & Pipe Works Issues New Bulletin

TAYLOR FORGE bulletin 476, Stainless Steel Dimensional Data, describes welding fittings from three-quarter inch to 12 inches, and light-weight American Standard flanges from three-quarter inch to 30 inches, all available in stainless types 304, 316, and 347, monel, inconel, nickel, copper, and other usual industrial metals.

Copies may be obtained from Taylor Forge & Pipe Works, P. O. Box 485, Chicago 90, Illinois.

\$8,700,000 Program Planned by Manufacturers Lt. & Ht.

THE MANUFACTURERS LIGHT AND HEAT COMPANY plans to invest more than \$8,700,000 in gas service improvement projects during 1948.

This budget figure for next year's construction activity is incorporated in the more than \$13,000,000 of construction planned throughout the five-state area served by the affiliated gas companies in the Pittsburgh Group of the Columbia Gas System.

More than \$1,500,000 has been allocated to expand and improve the company's Majorsville underground gas storage reservoir.

The Brinker underground storage reservoir near Lisbon, Ohio will be improved through an investment of more than \$500,000.

The Donegal underground storage field will also be similarly improved. The budget figure for improvement and expansion of this reservoir near Claysville, Pennsylvania has been set at more than \$300,000.

If sufficient quantities of steel pipe can be obtained, an investment of about \$775,000 will be made during 1948 to expand the company's network of high pressure gas transmission lines.

Among the other gas service improvement projects planned during 1948 are numerous pipe lines laid for relatively short distances so that gas can be supplied to communities from more than one direction.

Construction will be started next year on a new pumping station; new mixing and measuring stations, and an early completion is expected for the new main transmission line between Coatesville, Pennsylvania and Port Jervis, New York.

New Line of Trucks Introduced by Ford

A NEW line of Ford trucks was shown to the public for the first time recently by Ford Motor Company dealers throughout the nation. The streamlined 1948 models, completely new from the wheels up, represent the first postwar product of Ford.

J. D. Ball, director of the truck and fleet sales department, said the new trucks are notable for an unprecedented range of models and capacities and engineering changes.

Two new series—F-7 and F-8—are the largest ever manufactured by Ford. They have maximum gross vehicle weights of 19,000 and 21,500 pounds, respectively. Another new series is the six-cylinder cab-over-engine model.

(Continued on page 22)

Mention the **FORTNIGHTLY**—It identifies your inquiry

Three new power plants are available for the new trucks—a 95-horsepower six-cylinder engine, a 100-horsepower V-8, and a 145-horsepower V-8.

The new trucks are attractively styled without losing ruggedness necessary for good performance and long life. Greater front end strength has been achieved through improved sheet-metal suspension and heavier construction. Driver comfort is one of the first considerations in the new trucks. Advanced cab design provides living room comfort with more space and better ventilation. The new cabs provide up to seven inches greater width and also more headroom.

G-E Counter Display Features Kitchen Clocks

A NEW revolving counter display on which all four of General Electric's new kitchen clocks may be shown will be available for delivery this month.

Known as Kitchen Clock Assortment No. 1, the new display is only 11 inches in diameter and 22 inches high. The metal display surface standard is finished in dark blue and has the General Electric name and monogram, as well as the inscription, "The Clocks Most People Want," in white.

According to the announcement, the display is suitable for any type store and can be spotted at any point where it ties in well with a product. The new assortment includes one Chef, two Epicure, two Garcon, and two New Hostess clocks.

Foster Wheeler Enters Field of Package Steam Generators

FOSTER WHEELER CORPORATION, New York, announces its entry into the field of package steam generators up to and including 27,000 lb. per hour range. These Foster Wheeler units are assembled at the factory, including refractory and insulation, and are ready to generate steam when delivered and installed.

Designs immediately available provide for both oil and gas-firing, and a coal-fired unit will be ready shortly. Two series, low pressure (up to 250 lb.), and high pressure (up to 850 lb.), are being produced at present.

A bulletin containing full information is available on request.

New Appointments

United States Rubber Company

THE wire and cable department of United States Rubber Company recently announced the appointment of Frederick P. Combiar as manager of branch sales.

In his new position, Mr. Combiar will have supervision over twenty-nine branches throughout the country distributing wire and cable products and the company's new conductive rubber heating panels.

Moloney Electric Company

James J. Mullen, Jr., executive vice president of Moloney Electric Company, St. Louis, Missouri, has recently been named company president succeeding the late James J. Mullen,

Show This to Your Medical Department

Tests for Both Albumin and Sugar Can Now Be Made On Only One 5-Drop Portion of Urine With The Cargille Combination Urinalysis Sets

No Liquid Reagents — No External Heating

REFERENCE: Blatherwick, N. R., and Dworkin, Joseph H.: A Rapid Test for Albumin and Sugar in the Same Measured Sample of Urine, *J. Lab. & Clin. Med.* 32: 1042, August 1947.

From the Biochemical Laboratory of the Metropolitan Life Insurance Company

(Reprints of this article will be sent on request)

FOR LABORATORY • FOR OFFICE • FOR BEDSIDE

*Ideal For Use in Making
Physical Examinations of Employees*

Write For Leaflet U-ALB

Cargille Scientific Inc.

118 Liberty Street,
New York 6, N. Y.

RUST-OLEUM

Stops

Rust!



"Add to Your Profits by Saving on Maintenance!"



Write Today for Your Copy

(This catalog gives facts on how to stop rust. We'll gladly send a copy to all utility officials.)

The annual bill to industry for loss by rust is \$6,000,000,000. You contribute a share to this waste if you fail to protect all rustable metal in your buildings, power lines, structures, etc. Rust-Oleum Rust Preventives will help you to achieve greater net profits by a sharp reduction in the cost of maintenance of exterior and interior metal surfaces which rust.

You profit by using Rust-Oleum. It saves labor four ways—
1. Less preparation is required. 2. Can be applied 25% faster. 3. Covers 40% more area per gallon. 4. Depending on conditions under which it is used, Rust-Oleum outlasts ordinary materials two to ten times.

All these savings contribute to increased profits. Rust-Oleum adds extra years of life to buildings and equipment.

Distributors in Principal Cities

RUST-OLEUM CORPORATION

2457 Oakton Street, Evanston, Illinois



MAXIMUM CONTACT provided by V-groove conductors protected by bevelled slot.

PRECISION MADE, with rigid inspection. Smooth accurate threads assure maximum pressure — permanently maintained.

For taps, dead-ends, parallel connections, etc., in any location. Can be furnished in bronze or aluminum. Re-usable over and over.

PENN-UNION ELECTRIC CORP.
ERIE, PA. Sold by Leading Wholesalers

The COMPLETE Line of
 Conductor Fittings.

PENN-UNION
 CONDUCTOR FITTINGS

Sr. He became affiliated with the Moloney Company in 1933 as secretary of the corporation. Three years later he became executive vice president expending most of his energies in sales and sales promotion.

According to the announcement, Mr. Mullen, Jr., has traveled extensively in the interest of the company and has made a careful study of the nation's utility properties and kept abreast of their requirements.

Giant Ripper Introduced

A NEW 17-ton custom built Giant Ripper, Model R-2, is announced by Soule Equipment Company, Oakland, California. According to the announcement the ripper is strong enough to take the pull of three or four 104 to 150 h.p. tractors, can penetrate six feet of hard ground, and operates with one, two, or three roter shanks. The first one built has been sent to Saudi, Arabia, for pipe line ditching operations.

Complete specifications can be obtained from Soule Equipment Company, Freight and Ferry streets, Oakland 7, California.

Construction Loans Announced

CONSTRUCTION loans — chiefly for distribution lines, system improvements or new or additional generating capacity—recently were made to the following enterprises by the Rural Electrification Administration:

North Alabama Electric Cooperative, Stevenson, Ala., \$250,000.

Washington County Electric Membership Corporation, Sandersville, Ga., \$100,000.

Middle Georgia Electric Membership Corporation, Vienna, Ga., \$65,000.

Allen-Wells County Rural Electric Membership Corporation, Ossian, Ind., \$40,000.

Harrison County Rural Electric Membership Corporation, Corydon, Ind., \$103,000.

Flint Hill Rural Electric Cooperative Association, Council Grove, Kans., \$270,000.

Steele-Waseca Cooperative Electric, Owatonna, Minn., \$105,000.

East Mississippi Electric Power Association, Meridian, Miss., \$1,020,000.

Mora-San Miguel Electric Cooperative, Mora, N. M., \$475,000.

R. S. R. Electric Cooperative, Milnor, N. C., \$450,000.

Valley Rural Electric Cooperative, Huntingdon, Pa., \$290,000.

Jefferson Electric Cooperative, Brookville, Pa., \$320,000.

West River Electric Association, Wall, S. D., \$385,000.

Jump River Electric Cooperative, Ladysmith, Wis., \$245,000.

Carroll Electric Cooperative Corporation, Berryville, Ark., \$895,000.

West Florida Electric Cooperative Association, Graceville, Fla., \$110,000.

Tri-County Electric Cooperative, Mt. Vernon, Ill., \$395,000.

Fleming-Mason Rural Electric Cooperative Corporation, Flemingsburg, Ky., \$555,000.

Federated Rural Electric Association, Jackson, Minn., \$190,000.



*This ride cost
Mr. Higby \$631.40*

THIS GENTLEMAN . . . let's call him Mr. Higby . . . was riding a merry-go-round of floor maintenance costs. Each week his floors got a coat of wax. Soon it had to be scrubbed off, then put on all over again . . . to the tune of \$631.40 a month.



LOOKING INTO THE VICIOUS CIRCLE Mr. Higby discovered that waxings didn't last. Replacement coats piled up, became slippery, took hours to remove. Costs were sky-high . . . and so were accidents. So he called in a Legge floor engineer.



THE MERRY-GO-ROUND BRAKES DOWN The Legge man showed Mr. Higby how to put the brake on costs: One application of Legge Non-Slip polish plus regular moppings. No weekly waxings, no scrubbing. Non-Slip floors at savings of 82%!

HOW MUCH OF YOUR OVERHEAD IS UNDERFOOT?

Old-fashioned floor maintenance often pads overhead with many hard-to-trace "hidden" costs. You'll find a frank discussion of how to combat them in our free booklet, "Mr. Higby Learned About Floor Safety the Hard Way."

It tells how a Legge technician engineers a money-saving program to your needs . . . how Legge reduces slippery floor accidents up to 95% for leading organizations . . . how this safety plan is recommended by many casualty insurance companies.

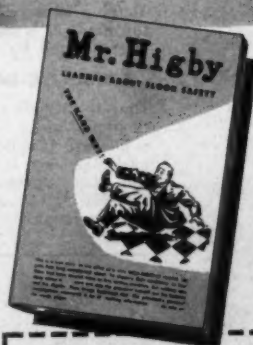
IT'S YOURS WITHOUT OBLIGATION You'll find this book worthwhile reading. For your copy, clip the coupon to your letterhead and mail.

LEGGE
SYSTEM

OF NON-SLIP FLOOR MAINTENANCE

WALTER G. LEGGE COMPANY, INC.

New York • Boston • St. Louis • Chicago • Ft. Worth • Seattle • Cleveland
Los Angeles • Washington, D. C. • Denver • Rochester • Pittsburgh • Detroit



WALTER G. LEGGE CO., INC.
11 West 42nd St., New York 18, N. Y.
360 N. Michigan Ave., Chicago 1, Ill.
Gentlemen:
Please send me your free book, "Mr. Higby Learned About Floor Safety the Hard Way."

Signed _____
Title _____
Type of Floor _____
Area _____ sq. ft. P14



VITAL TOOL FOR

Management!

Use it to

SPREAD
the national debt!

**WITH MANAGEMENT BACKING,
PAYROLL SAVINGS PLAN CAN HELP BUSINESS AND NATION**

In 19,000 companies, "Payroll Savings" has made employees more contented in their jobs—has cut absenteeism—even reduced accidents! It builds financial

security for each participant. (U. S. Savings Bonds pay \$4 at maturity for every \$3 invested.) And it helps business generally:

SPREADING THE NATIONAL DEBT HELPS SECURE YOUR FUTURE

Your business is closely dependent upon the national economy, which will be strengthened by distribution of the

public debt as widely as possible. How that works is clearly, briefly described in the free brochure shown below.

EXECUTIVE BACKING IS VITAL

Despite the many benefits of "Payroll Savings," its success in your company is liable to dwindle unless a responsible executive keeps it *advertised*. Make sure the Plan is vigorously maintained! Your U. S. Treasury's State Director, Savings Bonds Division will gladly help.

Free brochure
*expresses views of
two business leaders.
Be sure to get your
copy from the State
Director...today!*



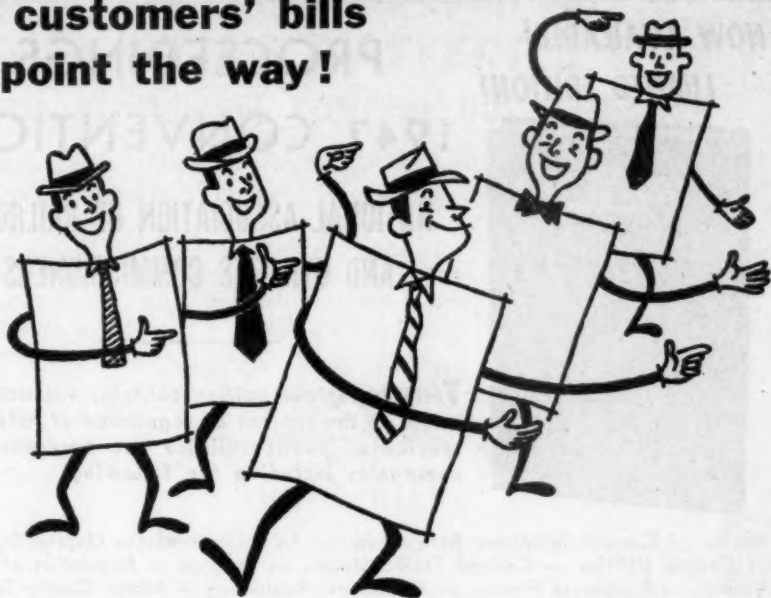
The Treasury Department acknowledges with appreciation the publication of this message by

PUBLIC UTILITIES FORTNIGHTLY



This is an official U. S. Treasury advertisement prepared under the auspices of the Treasury Department and the Advertising Council

Your customers' bills may point the way!



AN ANALYSIS of your customers' most recent bills may disclose certain important trends . . .

... trends that will point the way to you for planning rate and promotional programs.

Made regularly

Many utilities all over the country regularly have such analyses made.

But these analyses are not turned out in utilities' offices—they are done on the special public utilities machines of the Recording and Statistical Corporation.

And for very good reasons:

Executives of utilities are finding that they can get accurate and helpful data in one-half the usual time—and at one-half the usual cost!

These tabulations are made on specially designed electro-mechanical equipment. As many as 200,000 bills can be analyzed each day by our trained personnel.

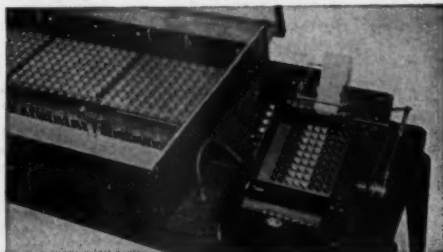
The cost to you is only a small fraction of a cent per item!

Send for FREE booklet

Get the facts about this accurate and economical analyses method of your customers' usage data.

Write to us today for "The One-Step Method of Bill Analysis." You will be glad you did!

This Bill Frequency Analyzer automatically classifies and adds in 300 registers—in one step!



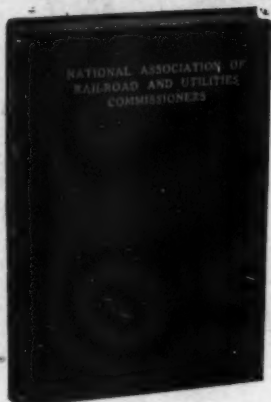
RECORDING AND STATISTICAL CORPORATION

102 MAIDEN LANE,

NEW YORK 5, N. Y.

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

NOW AVAILABLE!
LIMITED EDITION!



PROCEEDINGS 1947 CONVENTION NATIONAL ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS

THIS important edition contains valuable material on the subject of regulation of rates and service of public utilities and transportation companies including the following:

Review of Current Telephone Rate Cases — An Analysis of the Capital Structure of Electric Utilities — Railroad Traffic Studies — Progress in Regulation of Public Utilities — Corporate Finance — Warehouse Regulation — Motor Carrier Revenue and Rates — Rates of Public Utilities — Telephone Studies — Legislation

These and others \$8.50

COMMITTEE REPORTS AND ADDRESSES SEPARATELY PRINTED AND OTHER PUBLICATIONS OF THE NATIONAL ASSOCIATION OF RAILROAD AND UTILITIES COMMISSIONERS

Telephone Separation Manual:

This manual is the result of studies of the NARUC and FCC Joint Committee and develops a system of procedures providing for allocating telephone operating expenses and investment among exchange, state toll, and interstate toll service on both the board-to-board and station-to-station bases of rate making. (This manual is not included in the volume of Proceedings above referred to)

Proceedings above referred to \$2.00
Rates of Public Utilities (1947 Committee Report)75

Depreciation:

(1946) Methods of Pricing Retirements from Group Property Accounts \$1.25
1944 Report of the Committee on Depreciation (Supplement to 1943 Report) 1.25
1943 Report of the Committee on Depreciation (277 pages) 3.50

Interpretations of Uniform System of Accounts for Electric Utilities 1.50
Interpretations of Uniform System of Accounts for Gas Utilities 1.50
Interpretations of Uniform System of Accounts for Water Utilities 1.50

(Where remittance accompanies order we pay forwarding charges)

**NATIONAL ASSOCIATION OF RAILROAD
AND UTILITIES COMMISSIONERS**

7413 NEW POST OFFICE BLDG.

WASHINGTON 25, D. C.

YOU CAN ALWAYS COUNT ON EXIDE BATTERIES FOR DEPENDABLE CONTROL BUS OPERATION

With Exide Batteries on the job, you can be certain of prompt and powerful action the instant it is needed. Because of their dependable performance through many years, Exide Batteries are preferred by leading stations for control bus and switch-gear operation, emergency lighting service and

other storage battery tasks.

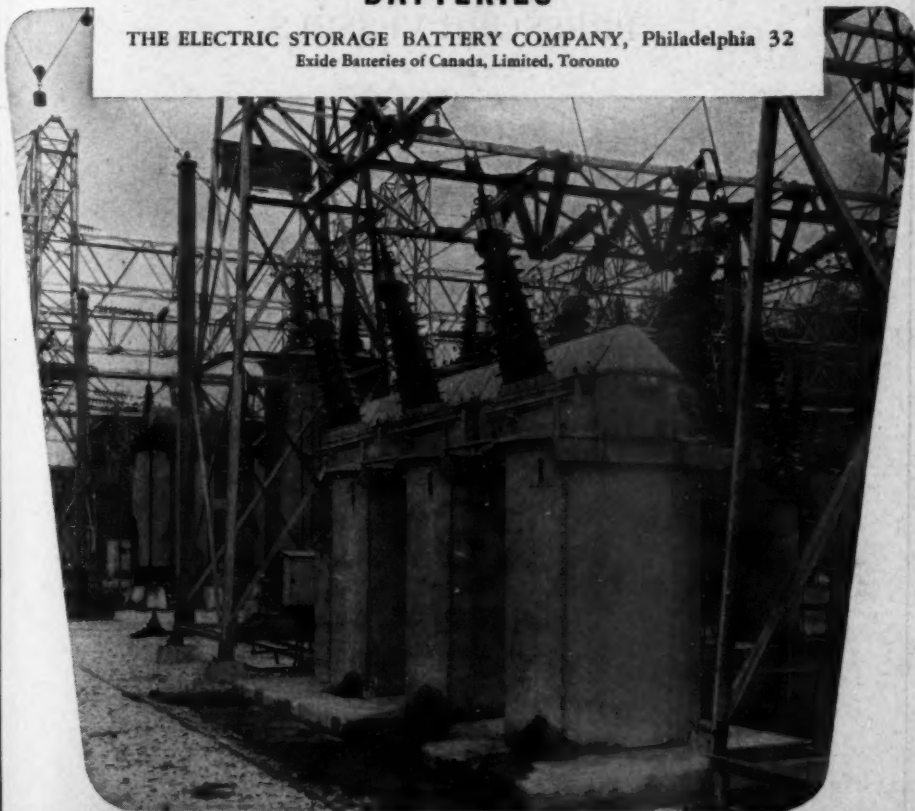
Exide Batteries have earned the confidence of engineers everywhere, and their widespread use is proof of their dependability, long life and ease of maintenance.

Exide

BATTERIES

Whatever your storage battery problems may be, Exide engineers will be glad to help you solve them.

THE ELECTRIC STORAGE BATTERY COMPANY, Philadelphia 32
Exide Batteries of Canada, Limited, Toronto



This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

SHIPS

★ ★ ★

HYDRAULIC TURBINES
— and —
ACCESSORY EQUIPMENT

★ ★ ★

PRESSURE VESSELS

★ ★ ★

STEEL, IRON and
BRASS CASTINGS

★ ★ ★

HEAVY FORGINGS—
ROUGH or
COMPLETELY MACHINED

★ ★ ★

**NEWPORT NEWS SHIPBUILDING
and DRY DOCK COMPANY**

NEWPORT NEWS,
VIRGINIA



AN UNFAILING ADVANTAGE

Whatever your control requirements may be, it is conceded that the switch in a control warrants first consideration, due to its functional characteristics. All Mercoid Controls are equipped exclusively with hermetically sealed mercury switches of special design and critically selected materials. ● Mercoid mercury switches are known the world over for their dependable service. They are not affected by dust, dirt or corrosion; nor are they subject to open arcing with its attendant consequences of pitting, sticking or oxidized contact surfaces, all of which, are likely to interfere with normal switch operation. ● That is why among other things, Mercoid Controls on the whole give you assurance of better control performance and longer control life—a distinct and unailing advantage—the reason why they are also the choice of America's leading engineers for many important industrial applications.

Catalog Sent Upon Request

★ MERCROID



CONTROLS

FOR HEATING, AIR CONDITIONING, REFRIGERATION, AND VARIOUS INDUSTRIAL APPLICATIONS
THE MERCROID CORPORATION • 4223 BELMONT AVENUE • CHICAGO 41 • ILL.

PROFESSIONAL DIRECTORY

• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, design, and construction. » » »

THE AMERICAN APPRAISAL COMPANY

ORIGINAL COST STUDIES • VALUATIONS • REPORTS

for

ACCOUNTING AND REGULATORY REQUIREMENTS

NEW YORK

WASHINGTON

CHICAGO

MILWAUKEE

SAN FRANCISCO

and other principal cities

DAY & ZIMMERMANN, INC.

ENGINEERS

NEW YORK

PHILADELPHIA

PACKARD BUILDING

CHICAGO

ELECTRICAL TESTING LABORATORIES, INC.

Electrical and General Testing—Inspections—Research—Certification

2 EAST END AVENUE AT 79th STREET, NEW YORK 21, N. Y.

BUtterfield 8-2600



Ford, Bacon & Davis

VALUATIONS
REPORTS

Engineers

CONSTRUCTION
RATE CASES

NEW YORK • PHILADELPHIA • CHICAGO • LOS ANGELES

GILBERT ASSOCIATES, Inc.

ENGINEERS

Steam, Electric, Gas, Hydro,
Designs and Construction,
Operating Betterments,
Inspections and Surveys,
Feed Water Treatment.

POWER ENGINEERING SINCE 1906

Serving Utilities and Industrials

Reading • Philadelphia
Washington • New York

SPECIALISTS

Purchasing and Expediting,
Rates, Research, Reports,
Personnel Relations,
Original Cost Accounting,
Accident Prevention.

FREDERIC R. HARRIS, INC.

FREDERIC R. HARRIS ENGINEERING CORPORATION
FREDERIC R. HARRIS FREDERICK H. DECHANT
ENGINEERS

Reports

Designs

Management

NEW YORK

Atlanta

Knoxville

Philadelphia

San Francisco

Mention the FORTNIGHTLY—It identifies your inquiry

PROFESSIONAL DIRECTORY (continued)

HOOSIER ENGINEERING COMPANY*Erectors of Transmission Lines*

1384 HOLLY AVENUE

COLUMBUS, OHIO

<i>The Kuljian</i>		<i>Corporation</i>
ENGINEERS		CONSTRUCTORS
1518 Walnut Street, New York 6		Philadelphia 2, Pa. Washington 5

WILLIAM S. LEFFLER*Engineers Associated
Management Consultants*

Cost Analyses for Rate Revisions	Regulatory and Municipal Problems
Rate and Sales Research for Increased Operating Income	
NOROTON	CONNECTICUT

LOEB AND EAMES*Public Utility Engineers and Operators
Ice and Refrigeration**Valuations, investigation reports, design and supervision of construction*

57 WILLIAM STREET

NEW YORK

N. A. LOUGEE & COMPANY

(SUCCESSORS TO J. H. MANNING & COMPANY)

REPORTS — APPRAISALS — DEPRECIATION STUDIES
RATE CASES — BUSINESS AND ECONOMIC STUDIES

120 Broadway

New York

CHAS. T. MAIN, INC.*Power Surveys—Investigations—Valuations—Reports**Steam, Hydro Electric and Diesel Plants*

Boston 10, Mass.

- - -

Washington, D. C.

(Professional Directory Continued on Next Page)

PROFESSIONAL DIRECTORY (continued)

**Complete Services for GAS and ELECTRIC Utilities**DESIGNING • ENGINEERING • CONSTRUCTION
PIPING • EQUIPMENT • SURVEYS • PLANSComplete Plants, Additions or Installations . . .
every detail geared to more profitable operation.

See Sweets Files, Refinery Catalog, etc., for details

J.F. Pritchard & Co.

ENGINEERS • CONSTRUCTORS • MANUFACTURERS

FIDELITY BUILDING, KANSAS CITY 6, MISSOURI

SANDERSON & PORTERENGINEERS
AND
CONSTRUCTORS**S&P****Sargent & Lundy**

ENGINEERS

Steam and Electric Plants

Utilities—Industrials

Studies—Reports—Design—Supervision

Chicago 3, Ill.

E. A. STEINBERGER

Consulting Valuation Accountant and Engineer

Depreciation Studies, Original Cost Accounting,
Valuations and Unitization of Gas Properties.

Member

The National Society of Professional Engineers and The Technical Valuation Society, Inc.

1309 Liberty Bank Building

Dallas 1, Texas

The J. G. WHITE ENGINEERING CORPORATION

Design—Construction—Reports—Appraisals

Consulting Engineering

80 BROAD STREET

NEW YORK 4, N. Y.

ALBRIGHT & FRIEL, INC.
FRANCIS S. FRIEL
Consulting EngineersWater, Sewage and Industrial Waste Problems
Airfields, Refuse Incinerators, Industrial Buildings
City Planning, Reports, Valuations, Laboratory

1528 WALNUT STREET PHILADELPHIA 2

BLACK & VEATCH

CONSULTING ENGINEERS

Appraisals, investigations and re-
ports, design and supervision of con-
struction of Public Utility Properties

4706 BROADWAY

KANSAS CITY, MO.

Mention the FORTNIGHTLY—It identifies your inquiry

PROFESSIONAL DIRECTORY (concluded)

EARL L. CARTER*Consulting Engineer*

REGISTERED IN INDIANA, NEW YORK, OHIO,
PENNSYLVANIA, WEST VIRGINIA, KENTUCKY
*Public Utility Valuations, Reports and
Original Cost Studies.*

910 Electric Building Indianapolis, Ind.

FRANK O'NEILL*Public Utility Consultant*

327 South LaSalle Street, Chicago 4, Illinois

Accounting, financial, insurance, tax, rate case
work and original cost studies.

W. C. GILMAN & COMPANY**ENGINEERS**

and

FINANCIAL CONSULTANTS

55 Liberty Street

New York

ROBERT T. REGESTER*Consulting Engineer*

HYDRAULIC STRUCTURES — UTILITIES
FLOOD CONTROL — WATER WORKS

Baltimore Life Bldg.

Baltimore 1, Md.

FRANCIS S. HABERLY**CONSULTING ENGINEER**

*Valuation — Depreciation — Service Life
Studies — Construction Cost Indexes —
Reports*

122 SOUTH MICHIGAN AVENUE, CHICAGO

A. S. SCHULMAN ELECTRIC CO.*Contractors*

TRANSMISSION LINES—UNDERGROUND DISTRI-
BUTION — POWER STATION — INDUSTRIAL —
COMMERCIAL INSTALLATIONS

537 SOUTH DEARBORN ST.

CHICAGO

JACKSON & MORELAND**ENGINEERS AND CONSULTANTS**

DESIGN AND SUPERVISION OF CONSTRUCTION
REPORTS—EXAMINATIONS—APPRAISALS
MACHINE DESIGN—TECHNICAL PUBLICATIONS
BOSTON NEW YORK

SLOAN, COOK & LOWE**CONSULTING ENGINEERS**

129 SOUTH LA SALLE STREET

CHICAGO

Appraisals — Reports
Operating — Financial — Plant

JENSEN, BOWEN & FARRELL**Engineers**

Ann Arbor, Michigan

Appraisals - Investigations - Reports
in connection with
rate inquiries, depreciation, fixed capital
reclassification, original cost, security issues.

MANFRED K. TOEPPEN**ENGINEER**

CONSULTATION—INVESTIGATION—REPORTS
MARKET AND MANAGEMENT SURVEYS
VALUATION, DEPRECIATION AND RATE
MATTERS

639 South Spring Street, Los Angeles 14, Calif.

261 Broadway, New York 7, N. Y.

LUCAS & LUICK**ENGINEERS**

DESIGN, CONSTRUCTION SUPERVISION,
OPERATION, MANAGEMENT, APPRAISALS,
INVESTIGATIONS, REPORTS, RATES

231 S. LaSalle St., CHICAGO

WESTCOTT & MAPES, INC.**ARCHITECTS & ENGINEERS**

INVESTIGATIONS • REPORTS
DESIGN • SUPERVISION

New Haven, Connecticut

Mention the FORTNIGHTLY—It identifies your inquiry

INDEX TO ADVERTISERS

[The Fortnightly lists below the advertisers in this issue for ready reference. Their products and services cover a wide range of utility needs.]

A

Albright & Friel, Inc., Engineers	34
American Appraisal Company, The	32

B

Babcock & Wilcox Company, The ..Inside Back Cover	
Barber Gas Burner Company, The	3
Black & Veatch, Consulting Engineers	34
*Blaw-Knox Division of Blaw-Knox Company	

C

Cargille Scientific, Inc.	22
Carier, Earl L., Consulting Engineer	35
Cleveland Trencher Co., The	15
*Combustion Engineering Company, Inc.	
Crescent Insulated Wire & Cable Co., Inc.	18

D

Day & Zimmermann, Inc., Engineers	32
Dodge Division of Chrysler Corp.	16-17

E

Ebasco Services, Incorporated	19
Electric Storage Battery Company, The	29
Electrical Testing Laboratories, Inc.	32

F

*Farm Management Associates, Inc.	
Ford, Bacon & Davis, Inc., Engineers	32
*Ford Motor Company	

G

General Electric CompanyOutside Back Cover	
*GMC Truck and Coach Division	32
Gilbert Associates, Inc., Engineers	35
Gilman, W. C., & Company, Engineers	35
Grinnell Company, Inc.	20

H

Haberly, Francis S., Consulting Engineer	35
Harris, Frederic R., Inc., Engineers	32
Hoesler Engineering Company	33

I

*International Business Machines Corporation ...	
International Harvester Company, Inc.	11

J

Jackson & Moreland, Engineers	35
Jensen, Bowen & Farrell, Engineers	35

K

Kinneer Manufacturing Company, The	13
Kuljian Corporation, The, Engineers	33

L

Laffer, William S., Engineers	33
Leggo, Walter G., Co., Inc.	25
Loeb and Eames, Engineers	33
Lougee, N. A., & Company	32
Lucas & Luick, Engineers	35

M

Main, Chas. T., Inc., Engineers	33
Merced Corporation, The	31

N

National Association of Railroad & Utilities Commissioners	27
Newport News Shipbuilding & Dry Dock Co.	3
Norwalk Valve Company	

O

O'Neill, Frank, Public Utility Consultant	35
-------------------------------------------------	----

P

Penn-Union Electric Corporation	24
Pittsburgh Plate Glass CompanyInside Front Cover	
Pressed Steel Car Company, Inc.	7
Pritchard, J. F., & Company	34

R

Recording & Statistical Corp.	27
Regeater, Robert T., Consulting Engineer	35
Remington Rand, Inc.	9
Rust-Oleum Corporation	23

S

Sunderson & Porter, Engineers	34
Sargent & Lundy, Engineers	34
Schulman, A. S., Electric Co., Contractors	35
Sloan, Cook & Lowe, Consulting Engineers	35
Steinberger, E. A., Engineer	34

T

Toepfen, Manfred K., Engineer	35
-------------------------------------	----

W

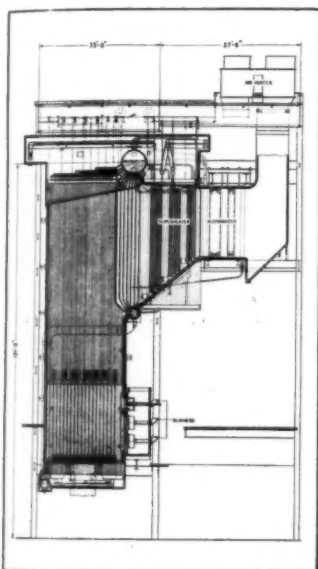
Westcott & Mapes, Inc.	35
White, J. G., Engineering Corporation, The	34

Professional Directory32-35

*Fortnightly advertisers not in this issue.

Significant Statistics

about B&W RADIANT BOILERS



Radiant Boiler for an Eastern Central Station.
Capacity—900,000 lb. per Hr. at 1500 psi, 975 F.

Last year's "Best Seller" among central-station steam-generating units was the B&W Radiant Boiler. Among them was the largest capacity B&W boiler ever designed for central-station service—1,100,000 lb. of steam per hour. Four of the units will deliver steam at pressures over 2000 psi with 1050F at the superheater outlet. Most of the boilers will be fired with pulverized coal—the others will use this fuel and oil and natural gas in combination or oil and gas alone. A predominate feature of this boiler is its ability to perform up to expectations with the widest range in fuel type and quality likely to be experienced in any location.

Introduced only 12 years ago, the B&W Radiant Boiler has amassed this fine record of acceptance:

- Aggregate steam capacity of units now in service and on order is over 60,000,000 lb. per hr.
- Nearly 25 per cent of all units sold to date are repeat orders.
- Installations are spread over 21 states in all sections of the country.

These statistics add up to this significant fact: The Radiant Boiler is admirably matched to modern central-station requirements over the entire range of conditions encountered in this service.



FOR POWER PLANTS—B&W, Open-Pass, Radiant, Integral-Furnace, Cross-Drum, Stirling and Waste-Heat Stationary Boilers . . . Air Heaters . . . Economizers . . . Superheaters . . . Water-Cooled Furnaces . . . Oil, Gas & Multifuel Burners . . . Chain-Grate Stokers . . . Stacks and Breachings . . . Seamless & Welded Tubes for All Pressure and Mechanical Applications . . . Refractories . . . Chemical Recovery Units . . . Alloy Castings.

OTHER B&W PRODUCTS—Marine Boilers . . . Pressure Vessels . . . Process Equipment

BABCOCK & WILCOX

THE BABCOCK & WILCOX CO.
GENERAL OFFICES: 85 LIBERTY ST. NEW YORK 6, N.Y.
WORKS: ALLIANCE AND BARBERTON, O.; AUGUSTA, GA.

G-384

This page is reserved under the MSA PLAN (Manufacturers Service Agreement)

JOHNNY CAPACITOR'S KILOVOLT ECONOMY KWHR LOSSES FROM KV TRANSPORTATION MAY EQUAL 1/5 OF YOUR DOMESTIC LOAD



JOHNNY SAYS

"We've found impressive savings like reduced carrying charges and reduced wear costs of both load and equipment when applications are made. Savings are more easily than ever before."

Energy losses due to kilovolt transportation can actually exceed half of your domestic load. Reducing these losses by supplying on-the-spot kilovars from capacitors offers exceptional savings and advantages today, for these reasons:

1. Capacitors are now low in cost—less than \$10 per kilovar installed.
2. Increased system capacity is made available immediately, as soon as on-the-spot kilovars are supplied.

That's the dollars and cents that

the on-the-spot kilovar improvements should result. Voltage drops throughout the system are reduced. Most kilowatts per ampere are eliminated. Distribution systems are cleared for carrying increased pay load.

Your General Electric representative will be glad to explain in further detail the specific advantages of supplying capacitors to your system. Write to Apparatus Dept., General Electric Company, Schenectady, N. Y.

GENERA



ELECTRIC

This page is reserved under the U.S. PLAN (Manufacturers Service Plan)